

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**FILED**

PETITION OF INDIANA-AMERICAN )  
WATER COMPANY, INC. FOR )  
AUTHORITY TO INCREASE ITS RATES )  
AND CHARGES FOR WATER AND )  
SEWER SERVICE, FOR APPROVAL OF )  
NEW SCHEDULES OF RATES AND )  
CHARGES APPLICABLE THERETO, )  
AND FOR APPROVAL OF CERTAIN )  
TARIFF CHANGES TO IMPLEMENT A )  
TRACKING MECHANISM FOR )  
PURCHASED POWER COSTS )

MAY 24 2007

INDIANA UTILITY  
REGULATORY COMMISSION

CAUSE NO. 43187

THE INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PREFILED TESTIMONY

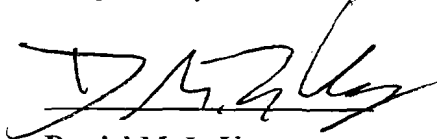
VOLUME 3

ROGER A. PETTIJOHN – PUBLIC'S EXHIBIT #7

HAROLD L. REES – PUBLIC'S EXHIBIT #8

MAY 24, 2007

Respectfully submitted,



Daniel M. LeVay

Jeffrey M. Reed

Robert M. Endris

### CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing has been served upon the following parties of record in the captioned proceeding by electronic mail, or as otherwise arranged, on May 24, 2007.

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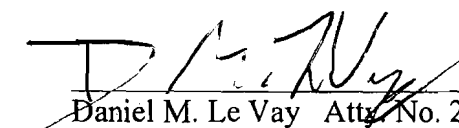
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**PUBLIC'S EXHIBIT 7**  
**ROGER A. PETTIJOHN**



**TESTIMONY OF ROGER A. PETTIJOHN**  
**CAUSE NO. 43187**  
**INDIANA AMERICAN WATER COMPANY, INC.**

**I. Introduction**

1  
2 **Q: Please state your name and business address.**

3 A: My name is Roger A. Pettijohn and my business address is Indiana Government  
4 Center North, 100 North Senate Avenue, Room N501, Indianapolis, Indiana  
5 46204.

6 **Q: By whom and in what capacity are you employed?**

7 A: I have been employed by the Indiana Office of Utility Consumer Counselor  
8 (OUCC) since November of 2000 and currently function as a Senior Utility  
9 Analyst for the Water/Wastewater Division.

10 **Q: What are the duties and responsibilities of your current position?**

11 A: As a Senior Analyst for the OUCC Water/Wastewater Division, I am responsible  
12 for evaluating the condition, operation and project improvements proposed by  
13 investor owned, municipal and not-for-profit water and sewer utilities.

14 **Q: What is your professional background and experience?**

15 A: After teaching several years for the Department of Defense Dependents Schools, I  
16 accepted an administrative position as Utility Director for the City of Elwood,  
17 Indiana in 1976. Subsequently, I assumed the responsibilities of operator in  
18 charge of the water and wastewater facilities. In 1980, I accepted a position as

1 Waterworks Superintendent for the City of Marion, Indiana. After taking early  
2 retirement from the City of Marion in 1995, I served as a project manager and  
3 salesman for a firm representing various manufacturing companies in the business  
4 of providing water and wastewater treatment equipment to municipalities and  
5 industry. I currently maintain a Class I Wastewater Treatment License, as well as  
6 Water Treatment System 3 and System 5 designations (WTS-3 and WTS-5)  
7 which are ground and surface water treatment plant certifications respectively,  
8 and a Distribution System Large (DS-L) license, all issued by the State of Indiana.

9 **Q: Have you previously testified before the Commission?**

10 **A:** Yes, both on behalf of utilities and as an analyst for the OUCC.

11 **II. Preparation for and Purpose of Testimony**

12 **Q: What investigations have you performed in this Cause?**

13 **A:** I toured much of Petitioner's facilities in the past as well as this Cause and  
14 attended the Jeffersonville and Northwest Public Field Hearings. In addition, I  
15 reviewed Petitioner's case-in-chief, performed a records review of Petitioner's  
16 IURC Annual Reports and other plant operational records, prepared questions for  
17 and reviewed discovery and participated in technical discussions with Petitioner  
18 and other OUCC staff.

19 **Q: What is the purpose of your Testimony?**

20 **A:** I will be responding to the testimony of Mr. Stacey Sagar, General Manager of  
21 Operations, and Mr. Alan DeBoy, P.E., Central Region Director of Engineering.

1 More specifically, I will be discussing non-recurring maintenance costs,  
2 Petitioner's meter change-out program, and excess plant at the Southern Indiana  
3 Operations and Treatment Center (SIOTC).

4 **III. Non-Routine Maintenance Costs**

5 **Q: Has Petitioner made an adjustment for "non-routine maintenance" expense?**

6 A: Yes. Mr. Sagar supports a \$345,000 adjustment for "planned non-routine  
7 maintenance." OUCC believes several of the items that make up this adjustment  
8 are normal, routine maintenance and should be excluded from this adjustment.

9 **Q: Which items in Mr. Sagar's adjustment does OUCC consider to be routine**  
10 **expenses?**

11 A: OUCC considers the following items routine expenses:

- 12 1) Well cleaning & maintenance (\$70,721)
- 13 2) Valve repair (\$4,505)
- 14 3) Generator repair (\$7,308)
- 15 4) Aerator maintenance costs (\$1,057)
- 16 5) Chemical feed system maintenance (\$14,129)
- 17 6) Most of the "other maintenance costs" (\$210,866). Petitioner's  
18 response to OUCC DR 15-0285 detailed the following specific  
19 items: SCADA programming and repair at two (2) treatment plants  
20 (\$98,000), pump and motor repair at the Babb Well Field in  
21 Jeffersonville (\$18,213), various other pump and motor repairs  
22 (\$83,000). Other items included in the \$210,866 include well  
23 cleaning, security gates, electrical poles, etc.

24  
25 These repair costs are recurring, normal expense items that Petitioner's Operation  
26 and Maintenance Account is designed to cover.

1   **Q:   Mr. Sagar describes these expenses as “non-routine maintenance items in**  
2   **nature” (Sagar Direct, p. 6. line 13).  Mr. Sagar also referred to these items**  
3   **generally as “emergencies” (Sagar Hearing Transcript, March 19, 2007, p. C-**  
4   **120).  Why do you disagree with Mr. Sagar’s assessment?**

5   A:   The non-routine, non-recurring maintenance items are not unique, unusual, nor do  
6       they constitute an emergency. The repair costs are, in fact recurring or normal  
7       expense items that should come from Petitioner’s Operation and Maintenance  
8       Account. Valve repair is normal maintenance regardless of the type of valve.  
9       The fact that a valve is turned electronically or by hand does not change its  
10      function or characteristic which is to simply shut water off. The cost of pump and  
11      motor repair, roof repair, SCADA repair, gate repair, and all other items listed  
12      above are normal, expected, and routine maintenance. No special consideration  
13      should be given for these items.

14   **Q:   Please explain further why you believe well cleaning is a routine expense?**

15   A:   A well cleaning event should not come as a surprise. Well cleaning can and  
16       should be scheduled annually based upon static and pumping water level readings  
17       for each well. These readings should be taken as a part of normal maintenance  
18       procedures and are determinant in scheduling well cleaning. The deterioration of  
19       a well in terms of its specific capacity<sup>1</sup>, derived from its static and pumping water  
20       levels, is a gradual process. Mineral deposits, such as iron and calcium, come out  
21       of solution as water passes through and around the well screen. As a result of this  
22       mineral deposition, the pumping water level in the well continues to lower to a  
23       point wherein the well or more accurately the well screen needs to be chemically

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<sup>1</sup> Specific Capacity is a measurement of gallons per foot of drawdown in a well. For example, a well with a drawdown of 10 feet when pumping 1000 gallons per minute has a specific capacity of 100. A well's drawdown is the difference between its static and pumping water levels.



1 cleaned through a surging process of acids and caustics. Because the deterioration  
2 of a well's specific capacity is gradual and predictable, a cleaning schedule for  
3 each well can be devised, based on empirical evidence consisting of well  
4 readings, thereby preempting the need for emergency cleaning.

5 **Q: What criteria does Petitioner use in determining when its 136 wells need**  
6 **cleaning?**

7 A: OUCC Data Request Set No. 15, Q-288 addresses this question with the following  
8 answer:

9 Question: What are the criteria that determine when a well needs  
10 cleaning?

11 Response: The determination to clean a well is based on historical data  
12 review, inspection of well, overboard test, and well yields performance.  
13 Overboard tests are performed on wells to verify pump flows and well  
14 drawdown information as well as overall performance of a well and are  
15 compared to historical information. If well problems or well yield  
16 performance issues are encountered, the appropriate level of maintenance  
17 is determined.

18 Petitioner's response implies that Petitioner does not take its own well readings,  
19 i.e., static and pumping water level readings to calculate specific capacity, but  
20 rather uses contractors to perform pumping tests that are then compared to  
21 historical pumping tests. A well's performance in terms of gallons per minute or  
22 overboard tests alone is not an indicator of when a well needs cleaning. A well

1 can yield the same gallons per minute even as its pumping water level is  
2 decreasing. Since Petitioner does not routinely take well static and pumping  
3 water level readings, it is much more likely to experience emergency well  
4 cleaning surprises. If Petitioner seeks to prevent emergency cleaning, it needs to  
5 take control of its well cleaning practice by establishing base line data from  
6 accumulated well readings. Then using this data to compute the gradual loss of  
7 each well's specific capacity, a cleaning schedule can be created.

#### 8 **IV. Meter Replacement Program**

9 **Q: What is Petitioner's meter replacement program?**

10 **A:** OUCC Data Request Set No. 7, Q-142, addresses Petitioner's meter change out  
11 program. The question and response is as shown below<sup>1</sup>:

12 **Q-142:** Does Petitioner have a meter change-out program for  
13 each of its operations in Indiana? If so, please state the criteria for  
14 determining when a meter is to be scheduled for replacement. Please  
15 list the number of residential meters for each of Petitioner's  
16 operations in Indiana and the number of meters purchased for each  
17 operation during the test year or other more appropriate 12 month  
18 time frame.

19 **Response:** Indiana American does have a meter change out  
20 program for each operation in Indiana. 5/8" meters that are 10 years  
21 and older are changed out each year. 3/4" meters are changed out on  
22 an 8 year cycle. 1" meters on a 6 year cycle. 1 1/4" meters and

---

<sup>1</sup> Please note that the fourth column in table 1 labeled "Meter Replacement Rate" has been produced by the OUCC. All other information has been provided by Petitioner.

larger are inspected and tested on 4 year cycle according to 170 IAC 6-1-10. Meters 1 ¼" and larger in size are replaced based on inspection and test results. Meters smaller than 1 ¼" in size are replaced on the same frequency as inspection and testing is required under 170 IAC 6-1-10.

**Table 1:**

<b>District</b>	<b>Number of Residential Meters as of 12/31/06</b>	<b>Residential Meters Purchased in 2006</b>	<b>Percent Replacement Rate (OUCC calculation)</b>
Crawfordsville	4,819	960	19.9
Johnson Co.	23,239	4,180	17.9
Kokomo	18,502	4,500	24.3
Mooesville	3,256	300	9.2
Muncie	23,954	5,950	24.8
Newburgh	6,706	1,320	19.6
Noblesville	10,621	1,020	9.6
Northwest	63,044	5,500	0.9
Richmond	12,873	3,150	24.5
Seymour	6,092	1,172	19.3
Shelbyville	5,224	672	12.8
Wabash	3,848	306	7.9
Wabash Valley	23,796	5,100	21.4
Warsaw	3,261	600	18.4
West Lafayette	8,686	1,150	13.2
Winchester	1,710	350	20.4
<b>Total</b>	<b>246,990</b>	<b>41,472</b>	<b>16.8</b>

**Q: What are your impressions of Petitioner's meter replacement program?**

**A:** It seems illogical that Petitioner is replacing larger meters (3/4ths and 1 inch) before its 5/8ths meters. Meter longevity is a function of wear by way of volume (light or heavy use) and pressure or velocity of water through the meter. Everything else being equal, the larger the meter, the lower velocity, resulting in less wear. For example, 20 gallons per minute is a very high operating range for a 5/8ths inch meter but registers only in the mid range for a 1 inch meter.

1           Consequently, the 1 inch meter can be expected to last longer.

2   **Q:   Should Petitioner be replacing ¾ and 1 inch meters on an 8 and 6 year basis**  
3   **respectively?**

4   A:   No. From my own experience and in talking with others in the industry, no one  
5       replaces meters of any size on this basis. With respect to 5/8<sup>th</sup> inch meters, testing  
6       is rarely done, except perhaps to check for high consumption, but rather these  
7       meters are routinely replaced in accordance to a scheduling policy. Labor and  
8       meter parts are prohibitively expensive and have reached a point wherein greater  
9       efficiency is gained by just replacing the meter. Labor cost involves not just  
10      testing the meter but also removal and installation. In any case, Petitioner should  
11      re-think its ¾ and 1 inch meter replacement policy or at least flow test the meters  
12      before scrapping.

13   **Q:   Do you have any comments regarding Table 1?**

14   A:   Yes. A 16.8% change-out rate of residential meters means Petitioner is actually  
15      using a six (6) year meter replacement program as opposed to the 10-year plan  
16      described in response to DR7-142 above. The disparity in replacement rates  
17      between regions seems extreme, with only a .87% replacement rate in the  
18      Northwest District as compared to a high of 24.8% in the Muncie District. One  
19      would expect more uniformity.

20   **Q:   Is a 6-year residential meter replacement rate reasonable for Petitioner?**

21   A:   No. As stated above, Petitioner's response to OUC DR 7-142 said it is using a  
22      10-year rate. Furthermore, Petitioner's 2005 Depreciation Study set meter

1 depreciation at 17 years and a survival curve of 16 years. In other words, after a  
2 records review and in its expert judgment, Petitioner determined that its meters  
3 will last 16 years. In practice it is replacing meters on the order of every six (6)  
4 years. There is no consideration as to size or type of meter (See RAP Attachment  
5 1).

6 **Q: What residential meter replacement rate do you recommend?**

7 A: Meters and metering technology is improving and may well commonly reach an  
8 average longevity of 20 years at some point in the future. Consequently, the time  
9 frames of meter replacement programs should be increasingly extended. In this  
10 case, I recommend a replacement rate of 15 years. This percentage may not be  
11 the best number for all 22 operations in Indiana because of varying water  
12 qualities, mineral constituents, and network pressures. For example, Petitioner's  
13 source of supply for its Northwest Operation is Lake Michigan water whereas the  
14 Jeffersonville Operation is well water. A 15% replacement rate should be an  
15 underpinning figure from which Petitioner can refine.

16 **Q: Why does a 15% residential meter replacement rate starting point make**  
17 **sense?**

18 A: It is currently important to think of a meter as a part of a metering system. A  
19 metering system is made up of a meter, a transmitter with signaling capability or a  
20 touch pad sensor, and software and hardware applications for data collection and  
21 manipulation. These components have various functions with various warranties.

1       Petitioner is invested in Neptune metering systems thru Neptune Technology  
2       Group. Most of the components of this system, taken from Neptune literature, are  
3       shown and described in RAP Attachment 2. It is important to note that many of  
4       the components may last well beyond Petitioner's stated 5/8" meter 10-year  
5       replacement policy such as the Data Collector which has a warranty of 20 years  
6       and the brass meter body that has a lifetime warranty (See RAP Attachment 3).

7       The meter itself has a 10-year warranty. Therefore, the manufacturer expects the  
8       meter to last well beyond 10 years. A 15-Year replacement policy seems  
9       reasonable.

10    **Q:    What is Petitioner budgeting for its meter replacement program?**

11    A:    Mr. DeBoy shows, in his Exhibit AJD, that \$23,943,000 has been budgeted for  
12       replacement meters over five (5) years.

13    **Q:    What are you proposing for the meter replacement 5-year budget?**

14    A:    Mr. DeBoy's 5-Year Meter Replacement Program budget should be reduced to  
15       reflect a 15 year service life for 5/8" meters. As mentioned earlier, this 15 year  
16       service life more closely represents the meter service lives approved in  
17       Petitioner's most recent depreciation study.

#### 18                   **V. SIOTC High Service Pumping Capacity**

19    **Q:    What is the issue regarding the SIOTC High Service pumping capacity in**  
20       **Jeffersonville?**

21    A:    Petitioner objects to the Commission's determination in Petitioner's last rate case

1 of excess pumping capacity at the Jeffersonville Treatment Center, excluding  
2 \$753,387 from rate base and \$232,248 from accumulated depreciation.

3 **Q: How did the Commission arrive at its decision?**

4 A: Based upon the evidence record the Commission found that "*Petitioner did not*  
5 *provide evidence to support the time frame within which this engineering feature*  
6 *(reservoir isolation technique) would be used and useful. Further, we find*  
7 *Petitioner's evidence lacked information that we deem necessary in order to*  
8 *allow this plant in rate base, this information includes but is not limited to:*

- 9 • *the frequency that the reservoir maintenance occurs,*
- 10 • *the amount of time necessary to carry out the maintenance of the*  
11 *reservoir,*
- 12 • *whether Petitioner plans to carry out the maintenance of the*  
13 *reservoir,*
- 14 • *whether Petitioner could implement the reservoir maintenance*  
15 *during non-peak months, and*
- 16 • *whether Petitioner needs five (5) pumps at the SIOTC if the*  
17 *reservoir's maintenance could be implemented during non-peak*  
18 *months." (IURC Cause No. 42520 (11/18/04), Final Order p.*  
19 *15).*

20 **Q: How does Mr. DeBoy address this issue in this case?**

21 A: Mr. DeBoy testifies that the disputed well is a normally divided wet well  
22 (reservoir) from which a total of five (5) high service pumps draw water—two (2)  
23 pumps in one compartment and three (3) in the other. He outlines how the two  
24 compartment design conforms to the "Ten State Standards". According to Mr.  
25 DeBoy, each side of the wet well must be capable of supplying water to satisfy

1 system demand. DeBoy Direct, p.12, lines 20-21.

2 **Q: Do you agree with Mr. DeBoy's assessment?**

3 A: In part. I agree that that all storage basins of this nature need the capability or  
4 flexibility to be sectioned off for cleaning without which the entire basin would  
5 have to be taken out of service. Such an option is recommended engineering  
6 practice. I do object to the design that permits each side of the divided basin to be  
7 capable of meeting system demand.

8 **Q: What is your disagreement with Mr. DeBoy?**

9 A: Assuming Mr. DeBoy is correct that each compartment is independently capable  
10 of meeting system demand, the compartment with three pumps must have excess  
11 capacity, since the compartment with only two pumps is adequate to meet system  
12 demand. The Commission was correct in its analysis of excess capacity.

13 **Q: Do you have other issues with this clearwell?**

14 A: Yes. It should be noted that a portion of the basin would not, or at least should  
15 not, be shut down for maintenance during periods of high demand expectation but  
16 instead in late fall or winter or perhaps a weekend. Moreover, Petitioner's  
17 response to OUCC DR 7-149, stated that the SIOTC clearwell, supplying water to  
18 the high lift pumps and operational since March 1999, has yet to be cleaned or  
19 otherwise maintained. Petitioner's DR 7-149 also states Petitioner now intends to  
20 inspect and clean the clearwell in April 2007 as well as perform an inspection  
21 every five (5) years thereafter.



1    **Q:    What are your recommendations?**

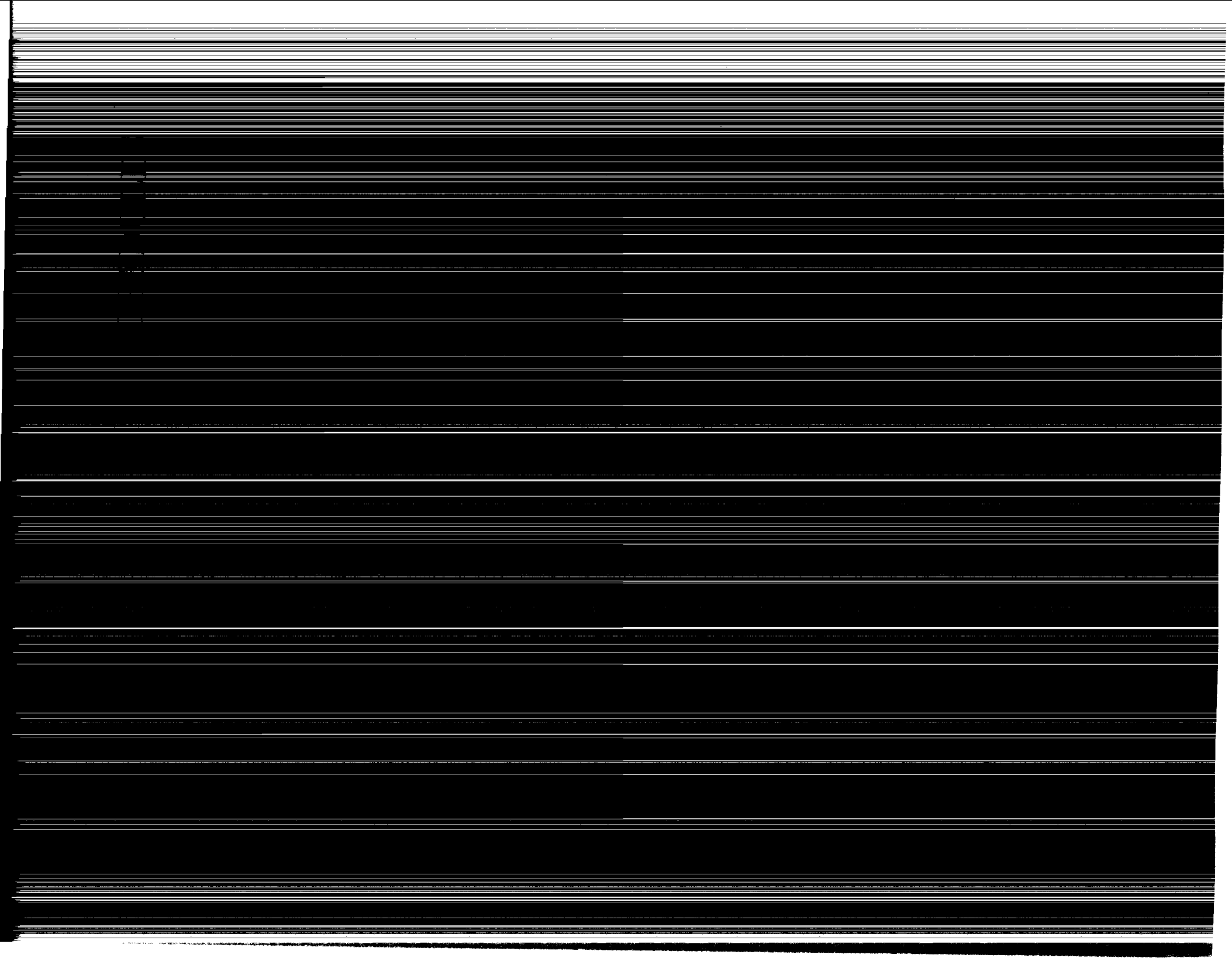
2    A:    I recommend the Commission:

- 3                   • Disallow Petitioner's request for non-routine maintenance.
- 4                   • Institute a 15 year meter replacement policy for residential meters.
- 5
- 6                   • Require flow testing of 3/4 and 1 inch meters before discarding.
- 7                   • Reaffirm its earlier decision of excess capacity at the SIOTC facility.

8    **Q:    Does this conclude your testimony?**

9    A:    Yes.





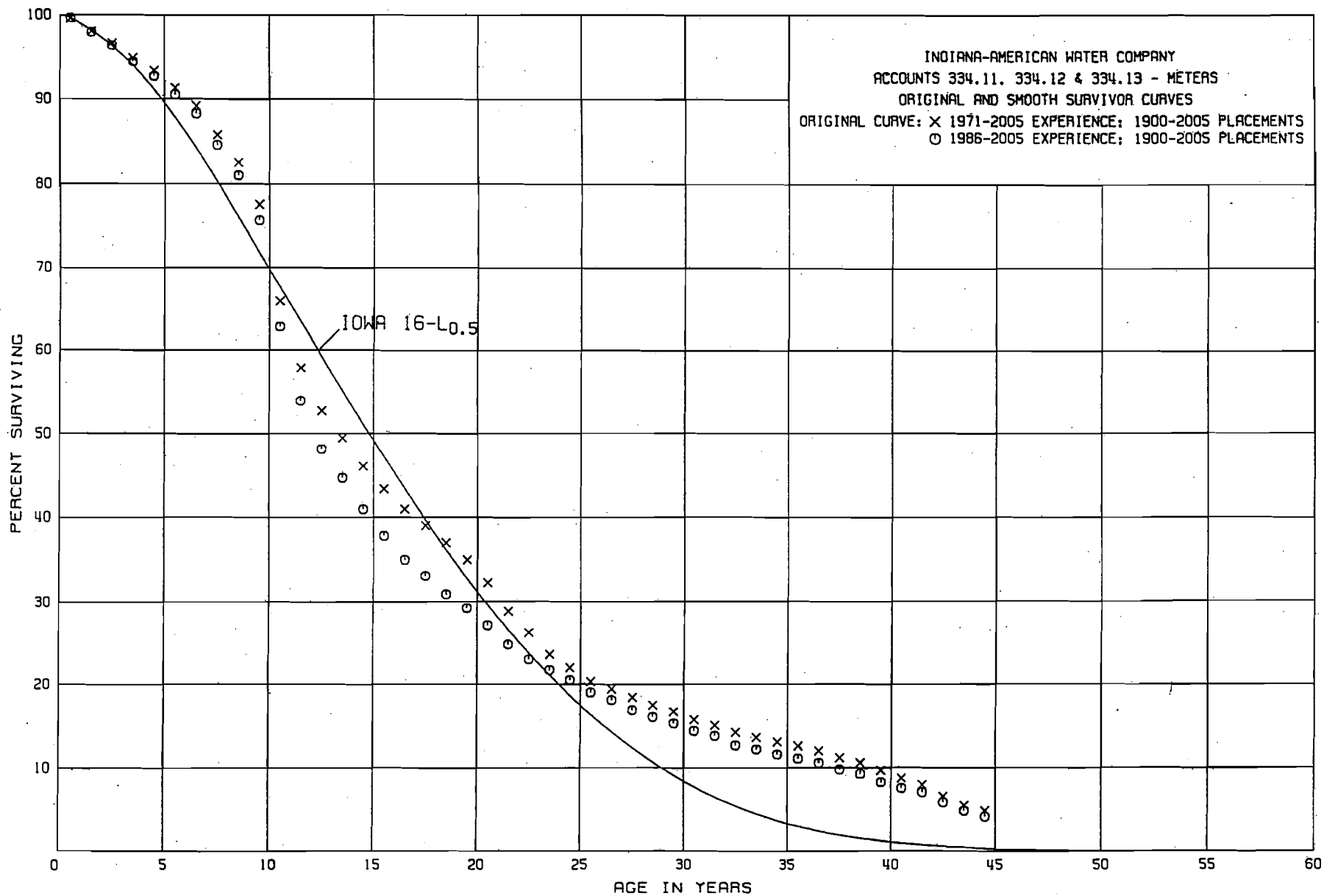


INDIANA-AMERICAN WATER COMPANY  
WATER ASSETS

ESTIMATED SURVIVOR CURVE, ORIGINAL COST, BOOK DEPRECIATION RESERVE AND CALCULATED  
ANNUAL DEPRECIATION ACCRUALS RELATED TO UTILITY PLANT AT DECEMBER 31, 2005

NEW ACCT	OLD ACCT	DEPRECIABLE GROUP	SURVIVOR CURVE	NET SALVAGE	ORIGINAL COST AT DECEMBER 31, 2005	BOOK DEPRECIATION RESERVE	FUTURE ACCRUALS	CALCULATED ANNUAL ACCRUAL AMOUNT	ACCRUAL RATE	COMPOS REMAIN LIFE
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>STRUCTURES &amp; IMPROVEMENTS</u>										
304.10	311.00	SOURCE OF SUPPLY	SQUARE	0	3,361,122.45	413,087	2,948,035	72,476	2.16	40.7
304.20	321.00	PUMPING	SQUARE	(25)	23,882,717.20	4,203,922	25,648,712	616,368	2.58	41.6
304.30	331.00	TREATMENT	SQUARE	(30)	38,806,108.69	8,346,175	42,100,986	1,203,060	3.10	35.0
304.32	331.99	PAINTING	10-SQ	0	577,634.41	327,127	250,508	43,528	7.54	5.8
304.40	341.00	TRANSMISSION & DISTRIBUTION	45-R1	(15)	2,209,397.22	287,981	2,252,825	90,426	4.09	24.9
304.60	390.10	OFFICES	45-R1	(15)	2,090,997.91	660,218	1,744,427	73,999	3.54	23.6
304.62	390.11	LEASED	SQUARE	0	60,098.76	16,276	43,823	4,613	7.68	9.5
304.70	390.20	STORES, SHOPS, & GARAGES	45-R1	(15)	2,981,402.01	1,311,893	2,116,721	95,528	3.20	22.2
304.80	390.30	MISCELLANEOUS	45-R1	(15)	998,300.94	283,802	864,245	34,683	3.47	24.9
		TOTAL ACCOUNT 304			74,967,779.59	15,850,481	77,970,282	2,234,681	2.98	34.9
305.00	312.00	IMPOUNDING RESERVOIRS	SQUARE	0	7,755,543.77	3,091,802	4,663,743	105,566	1.36	44.2
306.00	313.00	RIVER INTAKE	SQUARE	(2)	49,625,703.53	3,610,444	47,007,776	823,724	1.66	57.1
307.00	314.00	WELLS & SPRINGS	SQUARE	(15)	8,440,869.14	1,943,612	7,763,388	244,687	2.90	31.7
308.00	315.00	INFILTRATION GALLERIES	SQUARE	0	18,876.59	18,637	241	70	0.37	3.4
309.00	316.00	SUPPLY MAINS	75-S1	(20)	7,262,564.27	1,688,908	7,026,175	195,716	2.69	35.9
310.10	323.02	OTHER POWER EQUIPMENT	38-R0.5	(10)	1,568,282.09	803,739	921,373	44,804	2.86	20.6
311.20	325.00	ELECTRIC PUMPING EQUIPMENT	38-R0.5	(10)	39,040,927.43	15,730,162	27,214,863	1,266,235	3.24	21.5
311.30	326.00	DIESEL PUMPING EQUIPMENT	38-R0.5	(10)	1,123,553.40	442,344	793,561	41,449	3.69	19.1
311.40	327.00	HYDRAULIC PUMPING EQUIPMENT	38-R0.5	(10)	38,405.94	4,617	37,630	1,855	4.83	20.3
311.50	328.00	OTHER PUMPING EQUIPMENT	38-R0.5	(10)	485,772.72	209,469	324,880	15,923	3.28	20.4
320.10	332.00	WATER TREATMENT EQUIPMENT	42-R1	(25)	69,587,855.85	17,705,327	69,279,492	2,885,649	4.15	24.0
330.00	342.00	RESERVOIRS & STANDPIPES	65-R3	(60)	31,137,459.19	7,053,850	42,766,088	975,613	3.13	43.8
330.98	342.98	RESERVOIRS & STANDPIPES - PAINTING	10-SQ	0	1,219,780.27	1,219,780				
331.01	343.00	MAINS	105-R2.5	(35)	325,709,520.14	48,917,766	390,790,083	5,338,354	1.64	73.2
333.00	345.00	SERVICES	75-R2.5	(120)	65,620,984.11	15,451,261	128,914,909	2,684,249	4.09	48.0
<u>METERS</u>										
334.11	346.10	METERS - BRONZE CASE	17-L0	1	12,435,629.34	4,170,460	8,140,815	925,212	7.44	8.8
334.12	346.20	METERS - PLASTIC CASE	17-L0	1	241,352.41	136,248	102,691	12,677	5.25	8.1
334.13	346.00	METERS - OTHER	17-L0	1	9,791,099.64	4,713,325	4,979,866	602,401	6.15	8.3
		TOTAL ACCOUNT 334			22,468,081.39	9,020,033	13,223,372	1,540,290	6.86	8.6
334.20	347.00	METER INSTALLATION	60-R2.5	(40)	31,276,395.39	8,210,627	35,576,324	889,773	2.84	40.0
335.00	348.00	HYDRANTS	60-R2.5	(70)	28,814,080.00	7,224,849	41,759,088	1,096,725	3.81	38.1
339.50	349.00	OTHER TANGIBLE PLANT	15-SQ	0	91,601.63	24,387	67,214	5,540	6.05	12.1
339.60	303.99	MISCELLANEOUS INTANGIBLE PLANT	5-SQ	0	2,193,027.70	2,017,549	175,479	92,851	4.23	1.9

III-56

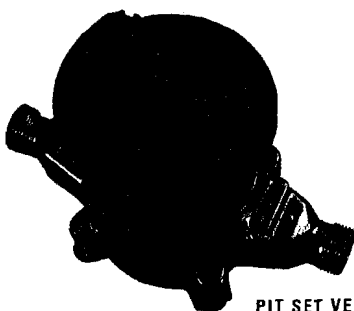




## PROREAD™ REGISTER



INSIDE SET VERSION



PIT SET VERSION

Neptune water meters and absolute encoders form the foundation of accurate and reliable ARB® Utility Management Systems™. Since 1964 when Neptune introduced the first absolute encoder, Neptune has held firm to the philosophy that both the local visual reading and remote electronic reading should come from the same source. Today there are approximately 19 million encoders in use. Neptune guarantees the data integrity of all our absolute encoders.

The ProRead™ (ARB® VI) absolute encoder provides data integrity by encoding the actual position of the register odometer and providing error-free remote electronic meter reading capability. The ProRead encoder allows utilities to capture more reads per day, shorten billing cycles, and automate bill preparation to improve cash flow. The ProRead absolute encoder and data collection systems work together to eliminate billing discrepancies and customer complaints by providing accurate meter readings the first time, every time — guaranteeing efficiency, long-term value, and peace of mind for utilities.

ProRead is the first step toward a totally automated metering system. The ProRead register provides the actual direct reading of the register odometer and provides error-free remote electronic capability without the need for batteries. The ProRead is a fully programmable register with an ID number of up to 10 digits, three user characters, 3-6 digit meter reading and meter networking to allow connection of two registers to one remote. For reading convenience, the register can be mounted in one of four different positions on the meter bayonet. For ease of installation, the ProRead register can automatically detect 2-wire and 3-wire register protocol without programming.

### PROREAD INSIDE SET VERSION

The inside set version features a non-oil-filled standard plastic polycarbonate enclosure for installation in basement or inside applications only.

### PROREAD PIT SET VERSION

The pit set version features a non-oil-filled roll-sealed copper shell and glass lens housing similar to our standard direct read register housing for superior protection in a harsh pit environment.

#### KEY FEATURES

- Absolute encoder technology
- Available in pit and inside set versions
- Pit set version: Roll-sealed copper shell and glass lens, oil-free design, factory pre-wired and potted
- Inside set version: Plastic enclosure, oil-free design
- Error-free remote electronic reading
- Automatically detects 2-wire and 3-wire register protocol
- Reprogrammable 1-10 digit ID, 3-6 digit meter reading
- Full sweep hand for testing
- Leak detection on register face
- Tamerproof seal to meter

#### KEY BENEFITS

- Foundation of AMR
- Accurate and reliable meter reading
- Eliminates billing discrepancies and customer complaints
- Allows the capture of more reads per day
- Shortens billing cycle
- Automates bill preparation to improve cash flow

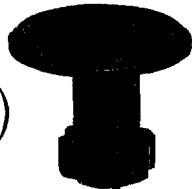


# R900 RF

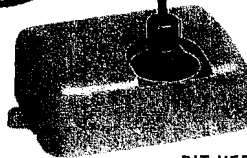
## WALL OR PIT MIU



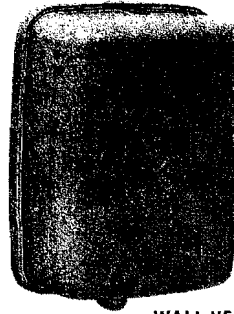
((((R900®)))



The R900® MIU provides water utilities with a reliable and economical RF reading solution.



PIT VERSION



WALL VERSION

The R900 Meter Interface Unit (MIU) is a compact electronic device that collects meter-usage data from up to two networked encoder registers and transmits the data for collection by the meter reader. The R900 MIU is compatible with ARB® III, IV & V, ProRead (ARB VI), E-Coder™ (ARB VII), and Sensus ECR® II & III\* encoder registers. The R900 MIU automatically detects the type of register to which it is connected; therefore, no field programming is necessary.

Data transmitted by the MIU is received by Neptune walk-by, mobile, or fixed-network data collection systems and stored for downloading at the utility office. The R900 MIU is a one-way communication device that transmits data using frequency hopping spread-spectrum technology to ensure data security and improve meter reading accuracy and reliability.

When connected to a single encoder register by a three-conductor wire, the R900 MIU reads the register automatically once an hour and transmits the meter reading with MIU ID number every 14 seconds. When connected to two networked encoder registers, the R900 MIU reads the registers automatically once an hour and transmits the meter readings with MIU ID numbers alternately every 11 seconds. When connected to E-Coder electronic absolute

encoders, the R900 MIU reads the registers every 15 minutes and transmits in the same intervals as described.

As part of the ARB "absolute" encoder technology, the remote electronic reading is guaranteed to match the reading on the encoder register exactly (once per hour) when the R900 MIU interrogates the encoder register.

### R900 WALL MIU

The R900 Wall MIU features a compact enclosure that can be easily mounted to most flat wall surfaces or pipe. The R900 Wall MIU can be installed as far as 500 feet from the encoder register. The MIU is designed to easily upgrade existing probe-based systems that use wall receptacles.

### R900 PIT MIU

The R900 Pit MIU features a compact enclosure equipped with an external antenna for optimal performance. The antenna is designed to be mounted above the pit lid through the industry standard 1-3/4" hole. The rugged antenna design allows installation in high traffic areas and the electronic enclosure is fully potted to withstand flooded pit environments. The MIU is designed to easily upgrade probe-based systems that use pit receptacles.

### KEY FEATURES

- No FCC license required
- No MIU programming required - automatically detects register type
- Long-life lithium battery with HLC capacitor
- Available in both a wall and a pit version
- Fully submersible pit enclosure
- Rugged pit antenna designed to withstand traffic
- Reads up to two networked ProRead or E-Coder™ encoder registers
- Compatible Neptune meter reading systems
- Enables E-Coder "value-added" features\*
- Suitable for any size utility
- 20-year warranty (10 full/10 prorated)

\* When connected to second generation or later R900.

\* The ECR® III Register is supported when programmed with the same format used in the "6 wheel ECR II register."





## CE5320X HANDHELD DATA COLLECTOR



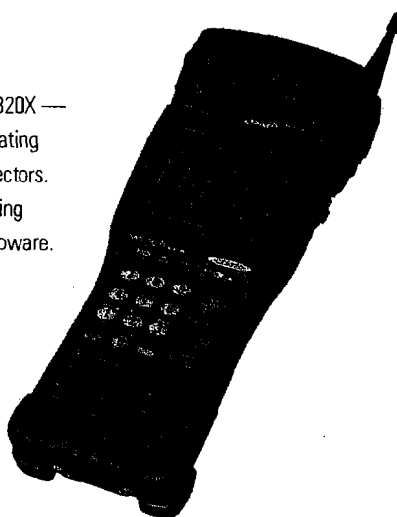
Neptune's newest handheld computer — the CE5320X — complete with Microsoft® Windows® CE.NET operating system, ushers in a new era in handheld data collectors. The CE5320X is powered by Neptune's meter reading software, either FieldNet® or Equinox™ by DB Microware. Neptune's meter reading software is designed to automate the meter reading process with a comprehensive feature set that assists utilities to reliably manage meter reading schedules regardless of size or industry type.

With Neptune's ARB® Utility Management Systems™, utilities can read their meters using a variety of data collection technologies — walk-by, mobile and targeted fixed network. The CE5320X is just one component of Neptune's hybrid meter reading approach allowing the meter reader to collect meter readings manually (keyed entry), probed, or via RF. Regardless of the method, the CE5320X offers the capability to reliably collect and store meter readings throughout the entire work day.

The CE5320X handheld is loaded with meter reading routes through an Ethernet communication/charging cradle using Neptune's meter reading software. Communication/charging cradles are connected directly to a PC, to a server supporting multiple computers, or to the company LAN. To retrieve meter reading data, the CE5320X is again inserted into the cradle at the office. Data is then downloaded to the meter reading software and prepared for transfer to the billing system. The CE5320X remains in the cradle to recharge so it is ready for work the next day.

Utilities also have a choice with respect to RF AMR capabilities. The CE5320X can be equipped with either an HR2380 receiver designed to automatically read Neptune R900® radio transmitters or an HR2580 receiver designed to read R900, Itron® R300 and electric ERT® transmitters.

Additionally, the CE5320X supports various types of meter probes. In the water industry, walk-by probed meter reading is supported via a wireless RF link between the probe and the handheld computer. In the electric industry the CE5320X supports optical probing across a wide variety of electric meters and file types for time-of-use and mass memory meters.



### KEY FEATURES

- AMR capable — fully compatible with R900s, R300s and electric ERTs
- Windows CE.net operating system
- 54 multi-functional raised tactile keys
- Color touch-screen display
- Designed for extreme durability — complies with IP67 & MIL-STD-810F
- Replaceable long-life lithium ion battery — intelligent fast charge system

### KEY BENEFITS

- Offers true multi-tasking capability
- Provides maximum field performance
- Multi-utility meter reading capability
- Flexible, easy-to-use software application functionality
- Migrates from multiple data collection methods — manual keyed entry, probed, and walk-by RF
- Supports rich contrasts that are easy to read both indoors and outdoors
- Courteous, prompt, and conscientious Support Specialists available if needed



EQUINOX™



With Equinox™, all of your options are open. Mix and match various elements of data collection technologies from manual key entry to targeted fixed network RF AMR in one powerful integrated package.

Neptune has a long, successful tradition of providing utilities with innovative solutions for their meter reading and billing processes. In fact, Neptune introduced its first version of meter reading software in the 1970s.

Neptune continues this tradition with the release of Equinox-MR, the latest software platform designed to automate the meter reading process with a comprehensive, easy-to-use feature set that assists utilities to reliably maintain meter reading schedules, regardless of size or industry type.

Equinox is an extremely flexible software application that provides significant scalability. It can be operated as a Client on a stand-alone PC or in a Client/Server environment where multiple workstations and remote offices can be efficiently networked across the utility's LAN or WAN architecture.

Neptune prides itself in developing meter reading systems that allow utilities to

migrate from their initial investment to other available technologies in a seamless fashion. Equinox follows this philosophy in a number of ways. The software is designed to support previous versions of DOS-based handheld computers like the PC9300 and PC9800. The adaptability of Equinox helps safeguard investments in meters and data collection technologies.

File layouts from EZRouteMAPS™ and RouteMAPS™ are supported, eliminating the requirement to purchase new handheld devices and implement new transfer files.

**New Customers** – Equinox offers a File Transfer Utility that allows you to use your current CIS/Billing interface. This customizable bridge is an integrated part of the Equinox System.

Equinox also supports the latest Windows CE-based handhelds utilizing Ethernet communications for faster, more reliable data communications.

## KEY FEATURES

- Supports hybrid meter reading system approach
- Compatible with industry file formats
- Supports Client and Client/Server system configuration
- Intuitive menu driven, point & click design graphical user interface
- Supported by a qualified Customer Support Center

## KEY BENEFITS

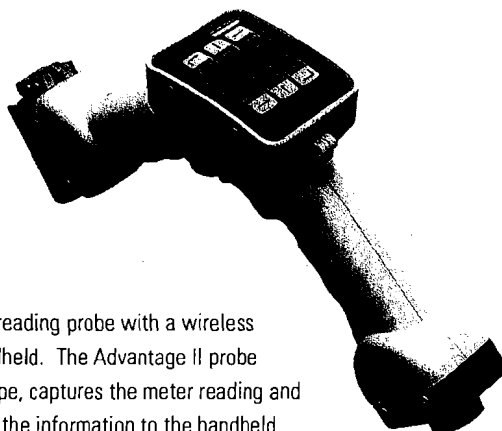
- Migrates from multiple data collection methods: manual keyed entry, probed encoders with Advantage II, walk-by RF with handheld data collectors, MRX920 and MTX950 mobile RF data collectors, EZNet targeted fixed network data collectors
- Supports optical probed C & I electrical meters
- Compatible with existing transfer files of EZRouteMAPS or RouteMAPS
- Provides water utilities with E-Coder PLUS value added features: leak detection, tamper detection, meter diagnostics, and flow diagnostics
- Supports stand-alone PC environment and network of multiple users and remote site configurations – scalable architecture
- User-friendly interface that makes the application easier to learn and operate and minimizes support requirements



## ADVANTAGE II PROBE



The Advantage II is a flexible meter reading tool that provides the operator the ability to read multiple types of meter registers and transmits this data to a portable handheld meter reading device that will store the data for billing purposes.



The Advantage II is a remote meter reading probe with a wireless communication interface to the handheld. The Advantage II probe automatically detects the register type, captures the meter reading and identification number, and transmits the information to the handheld meter reading device. The Advantage II probe is available in two versions – one that reads ProRead™ (ARB VI) and ARB® receptacles; the other reads ProRead and Sensus ECR® II and ECR III\* TouchRead® receptacles. The probe will store up to five readings after reading multiple meters or compound meters. The operator can review the readings at any time. The Advantage II is:

- Lightweight and easy to use
- Ergonomically designed
- Built rugged for daily use

### STANDARD FEATURES

- Reads multiple meter register types
- Unit displays the metering read and the meter identification number
- Acknowledges successful reads with a short tone and erroneous reads are signaled with a longer tone
- Orientation of display determined by meter type being read
- Transmits meter readings directly to handheld meter reading device unit by unlicensed radio frequency
- Capable of storing up to five meter readings in memory
- Meter readings can be reviewed and re-transmitted
- ARB receptacles require no triggering action
- Rechargeable battery offers a full day of reading capabilities

### KEY FEATURES

- Designed for reading multiple types of remote receptacles – Neptune ARB II-V, ProRead (ARB VI), E-Coder (basic) and Sensus ECR® II and III\*
- Readings are transmitted via 914 MHz unlicensed RF signal to DAP handheld computers with HR2380 or HR2580 RF receivers
- Compatible with Neptune's Equinox meter reading software
- Excellent visual reader and testing device
- Available in probe and wand versions

### WARRANTY

Neptune provides a limited warranty with respect to its Advantage II probe for performance, materials, and workmanship. Additionally, full hardware maintenance agreements are available.

\* ECR® III register is supported when programmed with the same format used in the "6 wheel ECR II register."



# T-10 METER

SIZES: 5/8", 3/4", and 1"



T-10 water meters are warranted for performance, materials, and workmanship.



Every T-10 water meter meets or exceeds the latest AWWA C700 Standard. Its rotating disc, positive displacement principle is time-proven for accuracy and dependability since 1892, ensuring maximum utility revenue.

## CONSTRUCTION

The T-10 water meter consists of three major assemblies: a register, a no-lead high copper alloy maincase, and a rotating disc measuring chamber.

The T-10 meter is available with a variety of register types. For reading convenience, the register can be mounted in one of four positions on the meter.

The corrosion-resistant no-lead high copper alloy maincase will withstand most service conditions: internal water pressure, rough handling, and in-line piping stress.

The innovative floating chamber design of the rotating disc measuring element protects the chamber from frost damage while the unique chamber seal extends the low flow accuracy by sealing the chamber outlet port to the maincase outlet port. The rotating disc measuring element utilizes corrosion-resistant materials throughout and a thrust roller to minimize wear.

## WARRANTY

Neptune provides a limited warranty with respect to its T-10 water meters for performance, materials and workmanship.

When desired, maintenance is easily accomplished either by replacement of major assemblies or individual components.

## KEY FEATURES

- Register
  - Magnetic drive, low torque registration ensures accuracy
  - Impact-resistant register
  - High resolution, low flow leak detection
  - Bayonet style register mount allows in-line serviceability
  - Tamperproof seal pin deters theft
  - Date of manufacture, size, and model stamped on dial face
- No-Lead Maincase
  - Made from no-lead high copper alloy
  - ANSI/NSF 61 Certified
  - Lifetime guarantee
  - Resists internal pressure stresses and external damage
  - Handles in-line piping variations and stresses
  - No-lead high copper alloy provides residual value vs. plastic
  - Electrical grounding continuity
- Rotating Disc Measuring Chamber
  - Positive displacement
  - Widest effective flow range for maximum revenue
  - Proprietary polymer materials maximize long term accuracy
  - Floating chamber design is unaffected by meter position or in-line piping stresses

## SYSTEMS COMPATIBILITY

Adaptability to all present and future systems for flexibility is available only with Neptune's ARB® Utility Management Systems™.

# Neptune Certificate of Warranty

## Neptune T-10, HP Turbine, Tru/Flo® Compound Cold Water Meters

### 1. Terms of Limited Warranty.

With respect to its Neptune T-10, HP TURBINE, TRU/FLO COMPOUND Water Meters (collectively the "Water Meters"), Neptune Technology Group Inc. ("Neptune") warrants the following on meters sold on or after 11/1/92:

The Water Meters will be, at the later of (i) the date of original purchase from Neptune or (ii) the date of original shipment from Neptune-authorized distributor of Water Meters (that later date is referred to as "the Date of Shipment") and will remain for a period of 18 months from the Date of Shipment, or 12 months from date of installation, free from manufacturing defects in workmanship and material.

- (a) **Maincase.** The no-lead high copper alloy or Brass maincase of the Water Meters will be at the Date of Shipment free from manufacturing defects in workmanship and material for the life of the Water Meter.
- (b) **Frost Protection.** All Neptune T-10 Cold Water Meters shipped with a synthetic polymer or cast iron bottom cap will, commencing upon the Date of Shipment, be warranted against chamber damage for a period of 10 years.
- (c) **Registers.** Standard, roll sealed registers of the Water Meters will be at the Date of Shipment, and shall remain for the following periods, free from manufacturing defects in workmanship and material for a period of 10 years. The performance of the Water Meters Pulsar RM remote is guaranteed for 1 year from Date of Shipment. The ARB®, ProRead™ (ARB VI), and E-Coder™ (ARB VII) system registers are warranted for 10 years from Date of Shipment. All ProRead encoder receptacles shipped after January 1, 2001 shall be warranted for five years from the Date of Shipment. All other components and parts are covered under Neptune's standard one year material and workmanship guarantee.
- (d) **Meter Accuracy for Neptune T-10.** Neptune T-10 Meters are warranted to meet or exceed, as listed herein, accuracy standards of the AWWA Standard C700-95 for a period of: (i) five (5) years from Date of Shipment for 5/8", 3/4" and 1" meters; (ii) for a period of two (2) years from the Date of Shipment for 1 1/2" and 2" meters; or (iii) the applicable registration shown below, whichever occurs first. Neptune further guarantees that the Neptune T-10 will perform to at least Repaired Meter Accuracy Standards, according to AWWA Manual M-6 Chapter 5 (1999) Table 5.3 for an additional ten (10) years or the registration shown below, whichever occurs first.
- (e) **Meter accuracy for HP Turbine and TRU/FLO.** The HP Turbine and TRU/FLO Compound Cold Water Meters will perform, for a period of one (1) year from the Date of Shipment, to American Water Works Association ("AWWA") accuracy standards for new water meters.

SIZE	EXTENDED LOW FLOW ACCURACY	NEW METER ACCURACY	REPAIRED METER ACCURACY
5/8 & 5/8" x 3/4"	1/8 US gpm @ 95% 5 years or 500,000 gallons	500,000 gallons	1,500,000 gallons
3/4"	1/4 US gpm @ 95% 5 years or 750,000 gallons	750,000 gallons	2,250,000 gallons
1"	3/8 US gpm @ 95% 5 years or 1,000,000 gallons	1,000,000 gallons	3,000,000 gallons
1 1/2"	3/4 US gpm @ 95% 2 years or 1,600,000 gallons	1,600,000 gallons	5,000,000 gallons
2"	1 US gpm @ 95% 2 years or 2,700,000 gallons	2,700,000 gallons	8,000,000 gallons

WMETER 04.06



**NEPTUNE**  
TECHNOLOGY GROUP INC.



RAP ATTACHMENT 3  
CAUSE NO. 43187  
PAGE 1 OF 2

# R900v3 Warranty Statement

ARB® Utility Management Systems™

## I. Warranty Effective Date

This warranty will be effective for any R900v3 meter interface unit that is shipped on or after October 1, 2004.

## II. R900v3 Meter Interface Units (MIU)

Neptune Technology Group Inc. warrants that the R900v3 Meter Interface Units (the "MIUs") shall be free from defects in manufacture and design for a period of twenty (20) years from the "date of shipment" (such period being the "Warranty Period"). Neptune shall not be responsible for any defects in the MIU (whether due to design, materials, manufacture, or otherwise) which manifest themselves after the expiration of the Warranty Period. Neptune will repair or replace a non-performing R900v3 MIU free of charge for the first ten (10) years and at a prorated replacement cost of the current list price during the remaining ten (10) years as follows:

\* Replacement cost percentages will be applied towards published list prices in effect for the year product is accepted by Neptune under warranty conditions. Replacement MIUs are warranted for one (1) year after date of shipment or balance of original MIU warranty, whichever is greater.

## III. Batteries

Neptune warrants that any Neptune-supplied batteries installed in the R900v3 MIUs (the "Batteries") shall be free from defects in manufacture and design for a period of twenty (20) years from the "date of shipment" (such period being the "Battery Warranty Period"). Neptune shall not be responsible for any defects in, or failure of, batteries (whether due to design, materials, manufacture, or otherwise) which occur after the expiration of the Battery Warranty Period. Neptune will repair or replace a non-performing R900 MIU Battery free of charge for the first ten (10) years and at a prorated replacement cost of the current list price during the remaining ten (10) years as follows:

\* Replacement cost percentages will be applied towards published parts list prices in effect for the year product is accepted by Neptune under warranty conditions. Replacement batteries are warranted for one (1) year after date of shipment or balance of original battery warranty, whichever is greater.

## III. Warranties are inapplicable under certain conditions.

This warranty does not include field replacement labor or materials costs, which are the responsibility of the utility. This warranty does not apply if product is placed in non-recommended installations; may have been repaired with parts not recommended by Neptune; converted, altered or connected by other than Neptune recommended procedures; is used with other than genuine Neptune meter registers and components or read by equipment not approved or licensed by Neptune; or damaged due to improper care or maintenance, or improper periodic testing (please refer to R900 installation manual and quick install guides). This warranty does not apply to any MIU that has been damaged by, or subjected to, conditions which, in the opinion of Neptune, have affected the R900v3 MIUs ability of performance, including but not limited to; misuse; improper handling; application or installation; excessive operating conditions; tampering or unauthorized repairs and modifications; accidental or intentional damage; or acts of God. In no event shall Neptune be liable for special, incidental, indirect or consequential damages, including, without limitation, lost revenue.

Year of Failure	MIU Replacement Cost*
1 - 10	Full replacement
11	30%
12	35%
13	40%
14	45%
15	50%
16	55%
17	60%
18	65%
19	70%
20	75%

Year of Failure	Battery Replacement Cost*
1 - 10	Full replacement
11	30%
12	35%
13	40%
14	45%
15	50%
16	55%
17	60%
18	65%
19	70%
20	75%



**NEPTUNE**  
TECHNOLOGY GROUP INC.



W R900V3 04.06

**PUBLIC'S EXHIBIT 8**  
**HAROLD L. REES**





**PRE-FILED TESTIMONY OF HAROLD L. REES**  
**CAUSE NO. 43187**  
**INDIANA-AMERICAN WATER COMPANY, INC.**

**I. INTRODUCTION**

1   **Q:**    Please state your name and business address.

2   **A:**    Harold L. Rees; Indiana Government Center North, Room N501; 100 North Senate  
3           Avenue; Indianapolis, Indiana, 46204-2215.

4   **Q:**    By whom are you employed and in what capacity?

5   **A:**    I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as a  
6           Senior Utility Analyst for the Water/Wastewater Division.

7   **Q:**    Please describe your background and experience.

8   **A:**    I graduated from Purdue University with a Bachelor of Science degree in Electrical  
9           Engineering. I also completed a management development program at Wabash College.  
10          Furthermore, I worked for the Indiana Bell Telephone Company from 1960 through 1991  
11          where I was involved in several engineering and management assignments. In addition, I  
12          began employment with the OUCC in January of 1992. I obtained my Professional  
13          Engineer registration in the State of Indiana in 1967.

14   **Q:**    What have you done to increase your knowledge of water utility technology and  
15           operations?

16   **A:**    To increase my knowledge of water utility plant design and operations, this year I  
17          attended several presentations at the annual meeting of the Indiana Section of the  
18          American Water Works Association ("AWWA") and participated in a seminar on storage

1 tank maintenance sponsored by the Alliance of Indiana Rural Water Companies.

2 **Q: Have you previously testified before this Commission?**

3 A: Yes, I have testified in Causes concerning gas, water, electric, and telephone utilities.

4 **Q: What have you done to prepare your prefiled testimony for this proceeding?**

5 A: I read the final order in Cause No. 42520, which was the previous rate case for this  
6 utility. In addition, I reviewed the Petition of Indiana-American Water Company, Inc.  
7 ("Petitioner") in Cause No. 43187 filed on December 1, 2006 and the IURC's Pre-  
8 hearing Conference Order approved on January 24, 2007. I reviewed that part of the  
9 OUCC's testimony in Cause No. 42520 that related to the Orcom E-CIS (Enhanced  
10 Customer Information System) cost issue. Also, I studied the portions of Edward  
11 Grubb's testimony in this proceeding discussing the proposed rate base and briefly the  
12 impact of the E-CIS call center issue (page 15). Further, I read the testimony of Joseph  
13 Van den Berg who was engaged by Indiana-American to evaluate the cost and  
14 circumstances of the implementation of the E-CIS software program and related work.  
15 On February 27, 2007, I toured the Call Center in Alton, Illinois. Then on February 28,  
16 2007, I toured American Water Region Headquarters at St. Louis. I also reviewed  
17 Petitioner's responses to the various Data Requests issued to Petitioner by the OUCC.  
18 Finally, I discussed this cause with other OUCC staff.

19 **Q: What is the purpose of your testimony?**

20 A: The purpose of my testimony is to discuss the amount of rate base related to the E-CIS  
21 software upgrade implementation that should be included in rates.

22

23

24

**Q: With respect to the Customer Satisfaction Center (“CSC”) service that IAWC customers have used, describe what transpired prior to this proceeding.**

A: Prior to the last rate case (Cause No. 42520), which was completed near the end of 2004, Indiana-American's customer calls were handled by the Richmond, Indiana call center. Indiana-American has relied on the Richmond call center since 1994. The Richmond call center was open Monday through Friday from 7:30 AM to 6:30 PM and was providing good quality service. The average call handling time was about 7 minutes with an abandonment rate of only 2%.<sup>1</sup> Improvements had been made to the Richmond center, such as the Electronic Data Inquiry System ("EDIS") and automated service order preparation. Compared to the simple arrangements that many water utilities in Indiana have today where service representatives manually perform several functions, the Richmond Call Center provided advanced customer service functions. As a result of a decision by American Water Works, Petitioner's parent company, the calls from Indiana customers were gradually phased over from the Richmond call center to the Alton, Illinois center during the period from March 8, 2004 to May 28, 2004. This transition took place while Petitioner's previous rate case (Cause No. 42520) was being conducted.

**Q: Please briefly describe the National Call Center.**

A: The primary national call center is located in Alton, Illinois, which sits near the east bank of the Mississippi River just northeast of St. Louis, Missouri. From conversations with AWW personnel, I understand that the Alton center has about 400-450 employees (including management and support staff), and that the center at Pensacola, Florida has

<sup>1</sup> As reported in IAWC's response to Discovery Question 55, which is HLR Attachment 6, the 2005 call center results for American Water were 5.6 minutes average handling time and 3.2% call abandonment rate (total calls for all states).

1 about 200. A smaller portion of the calls from Indiana customers are handled at  
2 Pensacola. Alton operates on a 24/7 basis but Pensacola does not (7AM – 10PM, 7  
3 days). The centers handle several types of calls – new service, sales issues, service  
4 outage reports, customer complaints, etc. The first thing that a customer encounters on a  
5 call is the Interactive Voice Response (“IVR”) capability, which directs the call to  
6 mechanized handling or to representatives trained to process certain types of calls.

7 **Q: How many calls from Indiana-American customers do the national call centers**  
8 **handle?**

9  
10 **A:** According to Indiana-American’s response to the OUCC’s data request Question No. 61  
11 (HLR Attachment 7), in 2006, the number of calls was recorded at 635,889. Based on the  
12 2006 customer count of 281,125 as of 12/31/06, this results in 2.26 calls per customer per  
13 year. The cause of this large number of calls is not explained in Petitioner’s case.

14 **Q: Was the decision to have Indiana-American participate in a national call center a**  
15 **good decision for Indiana ratepayers?**

16  
17 **A:** No. In its final order in Cause No. 42520, the Commission concluded that there was  
18 evidence to support a finding that the move was imprudent and not reasonably necessary.  
19 The Commission noted that the OUCC provided evidence that the cost to Petitioner’s  
20 ratepayers for Petitioner to participate in the consolidated customer service center would  
21 be approximately \$2.3 million additional each year. The Richmond center was providing  
22 adequate service to Indiana-American’s customers who, for the most part were satisfied  
23 with the level of service provided. The Commission also noted that Richmond’s  
24 Customer Service Center was considered world class based on customer survey results.  
25 The Commission found that, through the Richmond Call Center, Indiana American had  
26 achieved certain economies of scale when it centralized its customer service functions

1 into one call center in Richmond, Indiana. The Commission noted this was less than ten  
2 (10) years ago when Petitioner estimated a savings of over \$650,000 annually as a result  
3 of the consolidation. Moreover, the Commission found the OUCC demonstrated that  
4 with or without the inclusion of the E-CIS software in its analysis, there would never be a  
5 payback to Petitioner for its participation in American Water's Alton Customer  
6 Satisfaction Center ("CSC") initiative. The Commission, therefore, found it appropriate  
7 to limit this expense to the amount already reflected in Petitioner's rate base for the  
8 Richmond Customer Service Center. The Commission added that it shared the concern  
9 expressed by the OUCC that, in participating in the national call center, Petitioner is  
10 asking its customers to subsidize other states' inefficiencies. (IURC final order, Cause  
11 No. 42520, p. 105, November 18, 2004)

## 12 II. RATEMAKING TREATMENT FOR E-CIS

13  
14 **Q: What ratemaking treatment associated with the E-CIS software implementation is**  
15 **Indiana American seeking in this case?**

16  
17 **A:** Petitioner is seeking to include in original cost rate base \$6.47M of the total \$73.7 million  
18 E-CIS upgrade cost, which Indiana American contends is its share (Exhibit AJV-2  
19 attached to the Van den Berg testimony shows the major components of the Orcom E-  
20 CIS Upgrade Costs – HLR Attachment 1). The E-CIS software cost is technically a small  
21 part of the projected cost of \$73.7M that is proposed to be allocated to the operating  
22 companies. The software cost is only \$4.9M of that total, with the remaining amount  
23 supposedly required for other aspects of the system implementation (AWW Loading -  
24 \$13.9M, Orcom Services - \$13.3M, Professional Fees - \$31.2M, AFUDC - \$6.1M, and  
25 Other - \$4.9M).

1 **Q: What is the relationship between the E-CIS upgrade and the Alton Customer**  
2 **Satisfaction Center?**

3  
4 **A:** In 1996, American Water Works entered into a contract with Orcom to procure an E-CIS  
5 upgrade at eight locations. Indiana-American was one of eight participants. The October  
6 9, 1996 Agreement with Orcom lists the participating locations and their cost allocation  
7 percentages – Pennsylvania (28%), New Jersey (17%), New England (17%), West  
8 Virginia (7%), Indiana (9%), Illinois (8%), The Region (21%), and California (7%). In  
9 2000, American decided to operate a national call center, which was ultimately to serve  
10 more utilities (22 participants) than was originally planned to be served under the Orcom  
11 E-CIS contract. The start-up of the national call center was dependant on  
12 implementation of E-CIS. This required all of the participants in the national call center  
13 to be included in the E-CIS upgrade. This necessarily had the effect of increasing the  
14 scope and expense of the upgrade.

15 **Q: In his testimony, Mr. Van den Berg includes an Exhibit AJV-3, which describes**  
16 **Orcom E-CIS upgrade costs over time. What does this exhibit show?**

17  
18 **A:** In his testimony, where he discusses this exhibit, Mr. Van den Berg refers to a decision  
19 point occurring at the end of August 2000 and beginning of September 2000.<sup>2</sup> The  
20 graphs on his Exhibit AJV-3 (HLR Attachment 2) indicate about \$1M was spent from  
21 January through August of that year and about \$6M from September through December.  
22 Mr. Van den Berg asserted that American Water Works Company, Inc. ("AWW"),  
23 Petitioner's parent corporation, realized it did not have the internal resources or expertise  
24 necessary to complete the E-CIS configuration and installation on its own. He indicated

---

<sup>2</sup> Regarding the decision point, also refer to the response to Discovery Question 240 (HLR Attachment 5).

1 that the decision point was, in fact, the beginning of a more intensive effort to complete  
2 E-CIS implementation.

3 **Q: Are you aware of any other changes occurring at the time of this decision point**  
4 **described by Mr. Van den Berg?**

5  
6 **A:** Yes. This was when American Water made its decision to go to a national call center,  
7 which affected American Water's E-CIS implementation costs. On August 24, 2000,  
8 American Water Works Company announced that it had made a final decision to move  
9 forward with the "Customer Service Project." American had announced in late April of  
10 that year that it was considering a single customer services organization otherwise known  
11 as a national call center. The August 24, 2000 memo to American's water system  
12 associates announced that the start up of the new customer service center was "dependent  
13 on the implementation of the Customer Information System (CIS) application." (HLR  
14 Attachment 4) The memo's author, John Bigelow, announced that "the application team  
15 is working to finalize the implementation plan and an implementation schedule will  
16 follow." He then stated that "Once the conversion schedule for the Customer Services  
17 CIS application is finalized, we will be able to publish the schedule for transitioning each  
18 existing call center to the new center." Thus, the decision point described by Mr. Van  
19 den Berg in his testimony coincides more closely with the decision to have all American  
20 Water Associates participate in a national call center.

21 **Q: What do the graphs on Exhibit AJV-3 indicate with respect to years other than**  
22 **2000, when the decision was made to go to a National Call Center?**

23 **A:** According to Mr. Van den Berg in the years preceding 2000, the cost of the upgrade,  
24 including AWW's investment of resources, was only about \$16 million. From then on

1 the expenditures were at a much higher level for the next two years (\$19.0M for 2001  
2 and \$18.3M for 2002) than had previously been incurred for the E-CIS upgrade.

3 **Q: What is your perspective concerning the Orcom E-CIS software improvement**  
4 **project?**

5  
6 **A:** This has been a large project spread over ten years with a reported cost of \$73.7M.  
7 Initially, the E-CIS plan was developed to provide enhanced features to the existing call  
8 centers of the operating companies and then, later, the concept of creating a national call  
9 center (this turned out to be Alton, Illinois) was folded into the process.<sup>3</sup> According to  
10 the transcript of the hearing in Cause No. 42520, Mr. John E. Eckart, then the President  
11 of the Indiana American Water Company, testified that when the decision was made  
12 concerning the Alton Call Center, he believed that Pennsylvania, West Virginia, and  
13 possibly New Jersey were on line using the ECIS for their own call centers (page 60 of  
14 the IURC transcript).<sup>4</sup> This was also confirmed by Indiana-American's response to data  
15 request Question 201 (HLR Attachment 8), which stated that Pennsylvania-American  
16 went live with E-CIS in August of 1998, West Virginia-American went live in  
17 December of 1998 and American's New Jersey and Long Island subsidiaries went live  
18 with E-CIS in August of 1999.

19 **Q: Does the distribution of actual expenditures throughout the ten-year**  
20 **implementation period appear to be unusual?**  
21

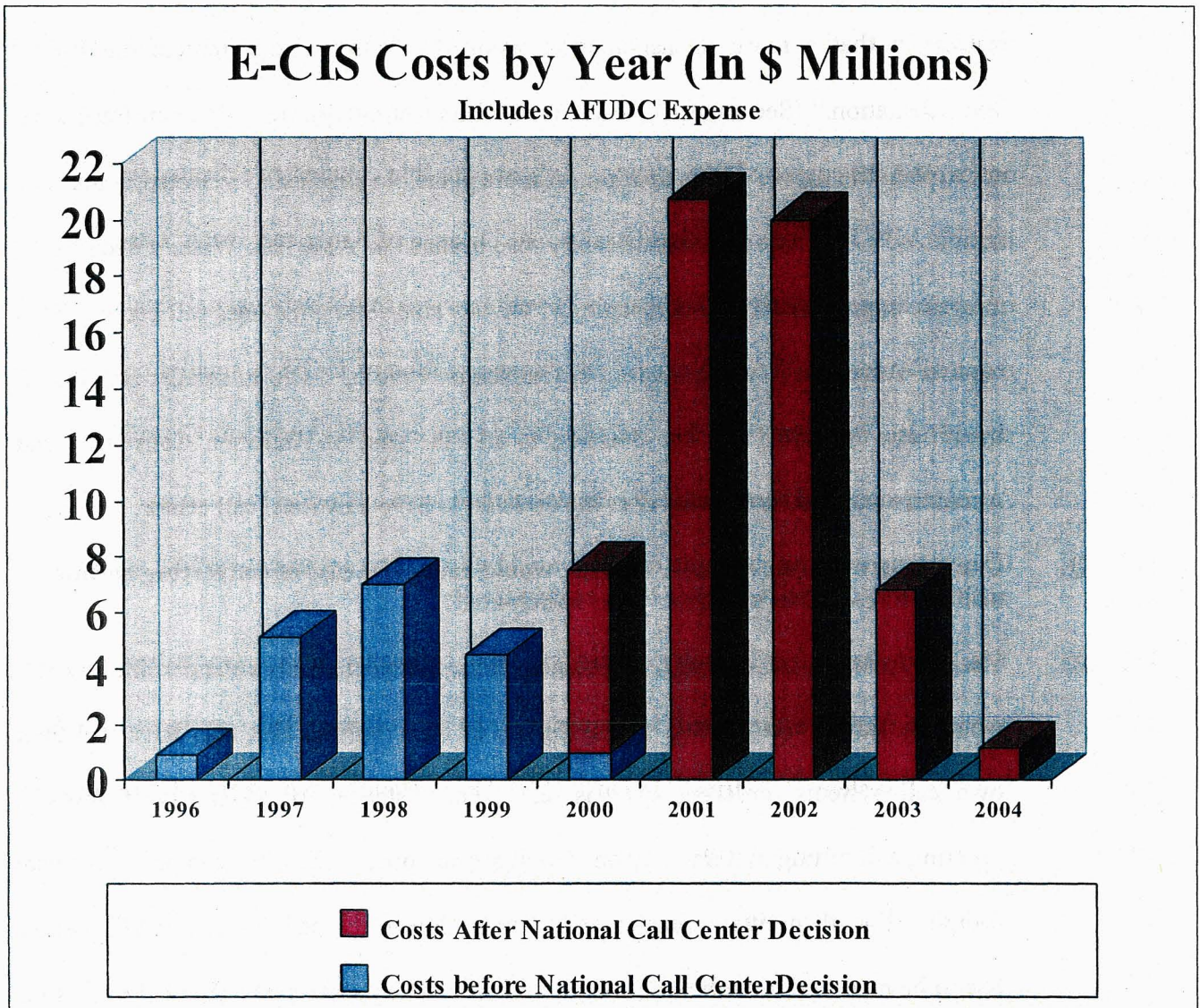
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<sup>3</sup> The Alton, Illinois center began operation in April of 2001 and was complemented with the Pensacola, Florida center in February of 2005.

<sup>4</sup> Specifically, the Pennsylvania, West Virginia, and New Jersey call centers were converted to E-CIS respectively on August 1, 1998; December 1, 1998; and August 2, 1999 according to Petitioner's response to Discovery Question 201 (HLR Attachment 8). Then the calling load from each of these states was placed on the national center during 2001 according to the response to Discovery Question 202 – HLR Attachment 9 (respectively, August 13, 2001; May 29, 2001; and April 21, 2001).



- 1 A: Yes. Immediately below, is a chart I prepared based on the same data included in Mr.  
 2 Van den Berg's Exhibit AJV-3 adjusted to include AFUDC<sup>5</sup> expense:



3  
4

- 5 Like Mr. Van den Berg's Exhibit, the cost distribution exhibits double humps with a  
 6 peak at about \$7.0M for 1998 and \$20.7M for 2001. (Mr. Van den Berg's annual  
 7 amounts do not include any of the \$6.1M AFUDC. In his testimony, Mr. Van den Berg

<sup>5</sup> AFUDC means Allowance for Funds Used During Construction.

1 explained the drastic increase for the last four months of 2000 and the next four years as  
2 resulting "from the review of the progress to date, including third party input, and the  
3 realization that a more intensive effort would be required to complete the E-CIS  
4 implementation." (See page 10, lines 11-14 of his testimony). Mr. Van den Berg does  
5 not explain the source of this opinion. A more plausible conclusion reflected in his own  
6 Exhibit AJV-3 is that costs significantly rose because of American Water's decision to  
7 integrate approximately 20 companies of various sizes into a national call center. This  
8 required American-Water to expand the implementation of E-CIS to smaller utilities. It  
9 should also be noted that the decision to add the cost of Anderson Consulting and  
10 Accenture occurred somewhat after the decision to have a national call center.

11 **Q: Can you provide an example of what would cause the cost of converting additional**  
12 **utilities to E-CIS to be higher than anticipated?**

13  
14 **A:** Yes, for instance, the difficulty of bringing some companies into a standardized system  
15 would be further exacerbated by acquisition of other utilities that may have had their  
16 own call systems, ordering systems, etc. For instance, hypothetically if AWW's  
17 ordering and billing systems rely on 4-digit service order codes, but company "X" uses  
18 6-digit codes, then either company "X" has to change its methods or AWW's system  
19 has to be modified to work with 6-digit codes. Problems like this could drive costs up.  
20 Also, the possibility exists that AWW had bitten off more than it could chew by its  
21 choosing such a large array of desired features (some more difficult to implement than  
22 others).

23 **Q: Given the Commission's ultimate determination in Cause No. 42520 that it was not**  
24 **prudent or necessary for Indiana-American to have participated in the customer**  
25 **call center consolidation, why would Indiana-American choose to participate?**  
26

1 A: The Alton call center does not provide Indiana customers materially better customer  
2 service than the Richmond center would have provided particularly since E-CIS had been  
3 installed there. But the decision for Indiana-American to participate in the national call  
4 center was made at the AWW level in late August of 2000. Based on the participation of  
5 Pennsylvania, West Virginia, New Jersey, which, along with Indiana-American, are  
6 AWW's largest regulated subsidiaries and had achieved their own economies of scale, it  
7 would appear declining the invitation to participate was not an option.

8 Q: At the time the decision had been made in 2000 to have a national call center, what  
9 progress had been made on implementing E-CIS with the original parties to the  
10 Orcom E-CIS Agreement?

11  
12 Pennsylvania-American went live with E-CIS in August of 1998, West Virginia-  
13 American went live in December of 1998 and American's New Jersey affiliate went live  
14 with E-CIS in August of 1999. (These three companies made up 52% of the total cost to  
15 be allocated among the utilities under the Orcom Agreement.) Thus, by August of 1999  
16 three of the eight locations had gone live with E-CIS.

17 Q: Had any other utilities made progress toward going live with E-CIS?

18 A: No other American Water subsidiaries went live with E-CIS before the decision was  
19 made to convert to a national call center using E-CIS. (The next utility to go live with E-  
20 CIS was Missouri American at the end of 2001 when it converted to the Alton, Illinois  
21 CSC.) However, it should not be assumed that no other utilities had made progress  
22 before the 2000 decision to have a national call center. Based on the size of the other  
23 utilities that went live with E-CIS before 2000, it appears that American was tackling the  
24 larger utilities first. Indiana-American has a customer count comparable to American's  
25 West Virginia affiliate. It would have fit within the pattern for Indiana-American to be

1 the next to go live. In fact, in Cause No. 42520, Indiana-American's president, John  
2 Eckart stated that he decided to delay the transition to the E-CIS at the Richmond center  
3 to coincide with the start up of the E-CIS in Alton, Illinois (the transcript dated April 29,  
4 2004, of the hearing in Cause No. 42520, pages E-59 and E-60). Mr. Eckart explained  
5 that he considered the cost of training and everything that needed to be done in  
6 Richmond, and once the decision was made to go to Alton, it seemed best to wait and not  
7 duplicate costs. Thus, it appears likely that Indiana-American had also made progress in  
8 its conversion to E-CIS before the decision to have a national call center was made.  
9 Consistent with Mr. Eckart's decision to delay, Indiana-American went live with E-CIS  
10 at Richmond as part of its phase-out and conversion to Alton, Illinois. (The Richmond  
11 call center began operating using E-CIS on March 8, 2004 -- the same day that calls were  
12 starting to be transitioned to Alton -- and ended on May 28, 2004 with the closing of the  
13 Richmond center.) Other than those utilities that went live with E-CIS before 2000,  
14 Indiana-American was the only utility that went live with E-CIS at a location other than  
15 Alton, Illinois. The extent of other utilities' efforts to go live with E-CIS is not known  
16 but it should not be assumed that no progress was made.

17 **Q: What should the Commission conclude with respect to Petitioner's recovery of its**  
18 **allocated portion of the E-CIS upgrade cost?**

19  
20 **A:** In the last rate case, the Commission found that Indiana-American's share of the E-CIS  
21 costs should be \$659,378 ( 9% of the \$7,326,425 amount agreed to in the initial, three-  
22 year Orcorn contract). In this Cause, Mr. Van den Berg suggests that in the last case, the  
23 OUCC and the IURC failed to take into account AWW's internal integration costs.  
24 Before AWW decided to have a national call center and Indiana-American decided to

1 delay going live with E-CIS, AWW had spent only \$16 million but had more than half of  
2 its customers being served by call centers using E-CIS. Petitioner has not described how  
3 far Indiana-American or any other original Orcom E-CIS participant had advanced in  
4 effecting their own internal integration. Likewise, Petitioner has not offered any  
5 significant detail to show what portion of the total AWW internal integration costs  
6 assisted Indiana-American Water Company's efforts. As such, I believe the Commission  
7 should continue to allow the rate base items only to the extent it permitted the recovery in  
8 the last rate case.

9 **Q: Do you propose a general alternative in the event the Commission does believe that**  
10 **more of the E-CIS upgrade cost should be allocated to Indiana-American?**

11  
12 **A:** Yes. To the extent the Commission does consider Petitioner to have justified additional  
13 rate base recovery, I suggest the Commission note the following when it makes such an  
14 adjustment: (1) that it found in the last rate case that Indiana-American's conversion to  
15 the Alton CSC was not prudent or necessary; (2) that the conversion caused a higher total  
16 of E-CIS upgrade costs for American Water; (3) that American's allocation methodology,  
17 when applied to this cost, causes Indiana-American to subsidize other smaller utilities;  
18 (4) that other AWW utilities that had achieved roughly the same economies of scale as  
19 Indiana-American had accomplished with the E-CIS upgrade for no more than and  
20 possibly less than \$16 million; (5) that these other AWW utilities provide service to more  
21 than half of AWW's customers; and (6) that in deciding to delay its E-CIS conversion  
22 when the national call center decision was made, Indiana American had already made  
23 progress in its efforts to go-live with E-CIS.

1     **Q: Assuming some additional recovery of rate base is warranted, what specific**  
2     **ratemaking treatment do you recommend for Indiana-American's share of the E-**  
3     **CIS upgrades cost?**

4  
5     **A:** I recommend that only part of the total project cost through 2005 of \$73.7M be used.  
6  
7     Specifically, I suggest allocating only those E-CIS costs incurred up to the September  
8     2000 decision point beyond which the AWW operating companies no longer seemed to  
9     be in control of these costs. Using the data provided in response to Discovery Question  
10    208 (HLR Attachment 10) and information in Exhibit AJV-3, I calculated a figure of  
11    \$17,273,000 which includes costs up to September 2000 as follows:

11	1996	\$810,900
12	1997	\$4,707,800
13	1998	\$6,429,100
14	1999	\$4,125,200
15	2000	<u>\$1,200,000</u> (\$6,917,100 - \$5,717,100)
16		\$17,273,000

17     Since these figures don't include any AFUDC (allowance for funds used during  
18     construction), I also made an estimate using the total AFUDC figure provided by  
19     Petitioner of \$6,134,800 and developed a proportionate share with the actual project  
20     expenses ( $\$17,230,000 / \$67,606,900 \times \$6,134,800 = \$1,567,400$ ). Then an estimate of E-  
21     CIS implementation cost accumulated up to the September 2000 point becomes  
22     \$18,840,400 ( $\$17,273,000 + \$1,567,400$ ). For Indiana's allocation of the total E-CIS  
23     upgrade cost, I used the 9% factor from the 1996 Orcom Agreement (Exhibit F of the  
24     Agreement – HLR Attachment 3). This provides a figure of \$1,695,636 ( $9\% \times$

1 \$18,840,400) to include in Petitioner's rate base instead of the \$6,470,000 figure  
2 proposed in this proceeding.

3 **Q: Is there another alternative you would propose the Commission consider?**

4  
5 **A:** In the event the Commission does not agree with either of the two preceding treatments  
6 recommended above, I recommend the Commission base its allocation on the fact that  
7 AWW's Pennsylvania, New Jersey, and West Virginia affiliates were able to go live with  
8 E-CIS before more than \$17.5 million of costs were incurred including AFUDC. This  
9 \$17.5 million includes all costs incurred through 1999 (\$16,073,000)<sup>6</sup>, as described by  
10 Mr. Van den Berg's AJV-3, plus AFUDC (\$1,458,500). ( $\$16,073,000 \times \$6,134,800$   
11  $\text{AFUDC}/\$67,606,900 = \$1,458,500$ ;  $\$16,073,000 + \$1,458,500 = \$17,531,500$ ) Under the  
12 Orcom Agreement, in total these three utilities represent more than half the customers  
13 planned to be served by E-CIS and were to pay a corresponding 52% of the cost  
14 compared to Indiana-American's 9%. Based on the premise that the rough cost per  
15 customer should continue, the cost of completing the transition should be approximately  
16 \$34 million of which Indiana-American would be expected to pay 9% . This would  
17 equate to a proportionate cost E-CIS upgrade cost to Indiana-American of approximately  
18 \$3.034 million. ( $9\%/52\% \times \$17,531,500$ ) (This methodology does not take into account  
19 any progress Indiana-American or any other utility may have made in its conversion to E-  
20 CIS in the years before 2000. Therefore, it may have a tendency to overstate the  
21 allocation.)

22  
23  

---

<sup>6</sup> This is the sum of the totals (excluding AFUDC) for years 1996 – 1999 shown in the response to Discovery Question 208 (HLR Attachment 10).



V. FINAL COMMENTS AND RECOMMENDATIONS

Q: Please list your final recommendations to the IURC.

A: Following are my recommendations on behalf of the OUCC:

1. I recommend the Commission allow recovery in rate base that portion of American Water Company's E-CIS upgrade cost that it allowed in Cause No. 42520 or \$659,378 ( $9\% \times \$7,326,425 = \$659,378$ ).

2. If the IURC considers an increase to rate base is justified, I recommend the Commission set the rate base amount Indiana-American's portion of the E-CIS upgrade implementation cost at \$1,695,636 ( $9\% \times \$18,840,390 = \$1,695,636$ ).

3. If the Commission does not consider the foregoing adjustments sufficient, I recommend a rate base figure for the E-CIS software upgrade cost for Indiana of \$3,034,298 ( $9\%/52\% \times \$17,531,500 = \$3,034,298$ ).

Q: Does this conclude your testimony?

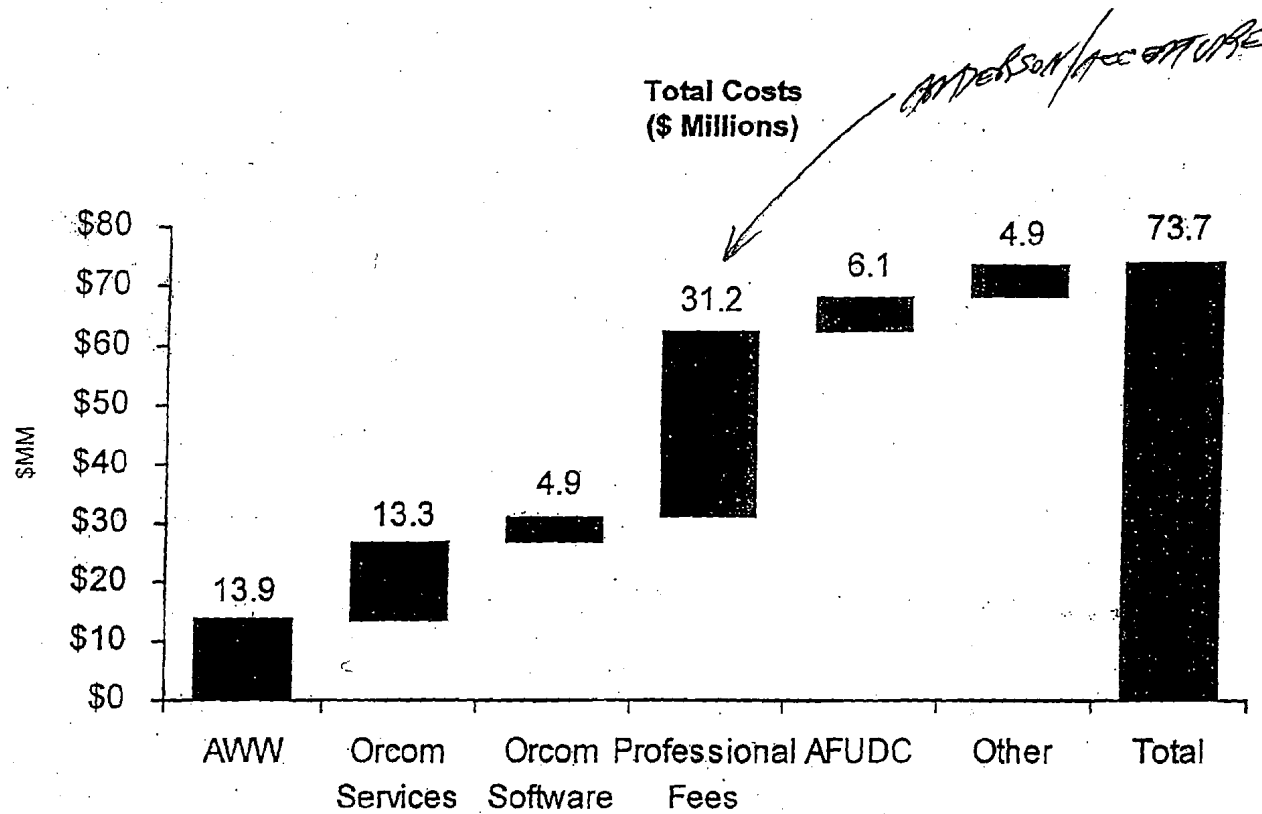
A: Yes.



5

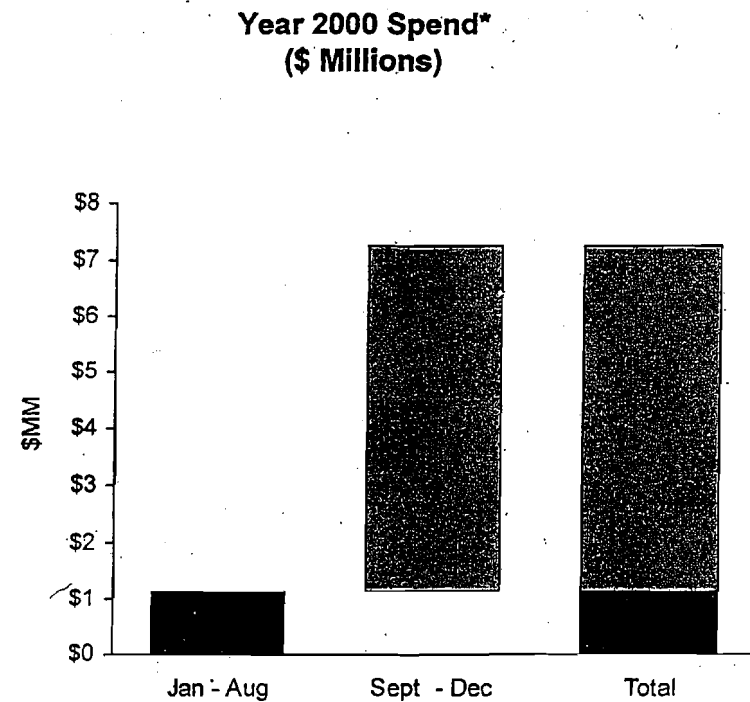
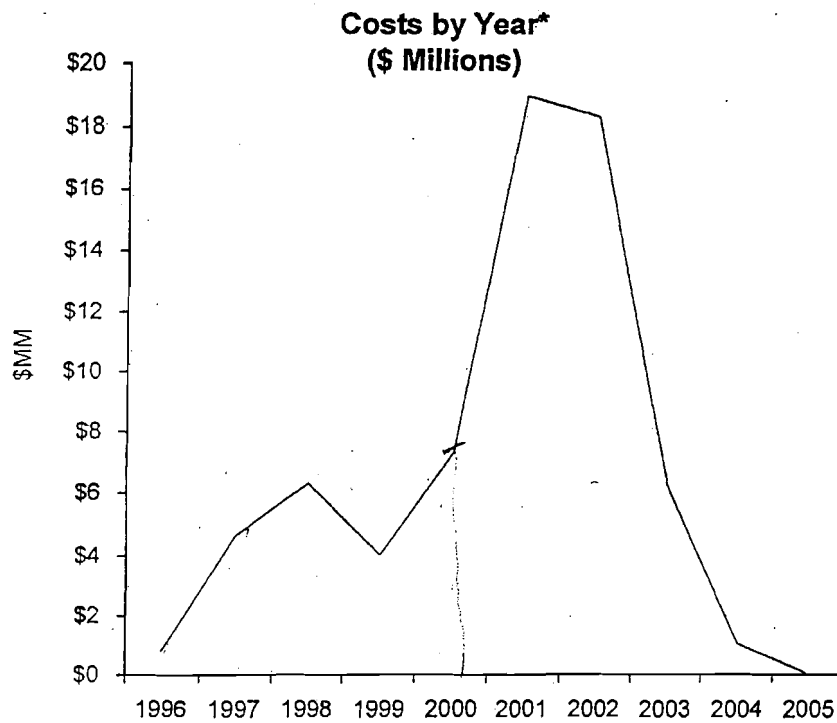


## Exhibit AJV - 2 ORCOM E-CIS Upgrade Costs



Source: American Water "ECIS Implementation Details"

## Exhibit AJV - 3 ORCOM E-CIS Upgrade Costs Over Time



Source: American Water "ECIS Implementation Details"

\*Excludes AFUDC Expense

American Water

Booz | Allen | Hamilt

EXHIBIT F --

Addendum to Agreement

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2.6.2 An additional forty percent (40%) of the total Orcom Software price shall be due and payable upon acceptance of the System Study plan outlined in the Statement of Work.

2.6.3 An additional fifteen percent (15%) of the price of each Orcom Software Module shall be due and payable upon "go-live" for Pennsylvania American Water or the first installation.

2.6.4 An additional five percent (5%) of the price of each Orcom Software Module shall be due and payable upon "go-live" for New England American Water or the second installation.

2.6.5 An additional five percent (5%) of the price of each Orcom Software Module shall be due and payable upon "go-live" for New Jersey American Water or the third installation.

2.6.6 An additional five percent (5%) of the price of each Orcom Software Module shall be due and payable upon "go-live" for West Virginia American Water or the fourth installation.

2.6.7 An additional five percent (5%) of the price of each Orcom Software Module shall be due and payable upon "go-live" for Indiana American Water or the fifth installation.

2.6.8 An additional five percent (5%) of the price of each Orcom Software Module shall be due and payable upon "go-live" for Illinois American Water or the sixth installation.

2.6.9 An additional five percent (5%) of the price of each Orcom Software Module shall be due and payable upon "go-live" for The Region or the seventh installation.

2.6.10 An additional five percent (5%) of the price of each Orcom Software Module shall be due and payable upon "go-live" for California American Water or the eighth installation.

2.6.11 In the event Client does not install Orcom Software at one or more of the eight installations, any remaining payments listed in 2.6.4 through 2.6.10 shall be due and payable no later than three years from the date of this agreement.

EXHIBIT F --

Addendum to Agreement

Change:

5.3 EXTENDED SUPPORT PAYMENT TERMS AND COST

Payment terms for Extended Support are as follows:

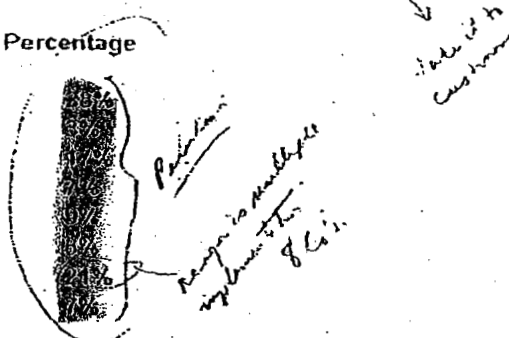
5.3.1 The first monthly payment for Extended Support shall be due and payable on the first day of the month after delivery of the Software and Documentation.

To Read:

5.3 EXTENDED SUPPORT PAYMENT TERMS AND COST

Payment terms for Extended Support are as follows:

5.3.1 The first payment for ~~Extended Support~~ shall be due and payable on the first day of the month after "go-live" for each of the eight installations. Each installations Extended Support payment obligation shall be determined by dividing the number of customers for each installation by the total number of customers for the Client. The percentages used to determine each installations Extended Support obligation are as follows:

Installation	Percentage
<i>Lo OPTALS</i> Pennsylvania New England New Jersey West Virginia Indiana Illinois Michigan California	

In the event Client does not install the Orcom Software at one or more of the eight installations, any remaining Extended Support shall be due and payable no later than three years from the date of this agreement.

To: All American Water System Associates  
From: John Bigelow  
Subject: Customer Services Business Case Findings  
Date: August 24, 2000

This memo is to inform you that, after much consideration, a decision has been made to move forward with the Customer Service Project.

You may remember that in May, we informed all associates that a study would be conducted to assess the current state of Customer Services and to evaluate the potential service improvements and cost savings if Customer Services was consolidated. That study is complete, and shows that the benefits of consolidation far outweigh those of leaving the current decentralized system in place.

**Business Case:**

Analysis confirmed moving to a single customer service center will bring substantial benefits to our customers and shareholders. Improved customer service and economic factors played major roles in the decision to move forward with customer services consolidation.

- The customer service benefits for American are significant. By using advanced technologies now available, we will be able to decrease average handle times for customers, extend our operating hours to 24 hours a day, 7 days a week, provide customers with more self service options, improve call routing accuracy, improve first call resolution, improve customer contact tracking, and improve billing issues resolution.
- The economic benefits from the Business Case are very strong. The study showed that the net benefit, across operating companies, for centralizing customer services will result in significant dollar savings. This savings factors in both the on-going costs (facilities, labor, telecom, overhead costs, office furniture, training, and work stations) and the one time transition cost to establish the new center.

**Site Location:**

The next step will be to select a new site for the Customer Service Center. In our July communication we described the site selection process. Since then, we have been collecting data to decide where the new customer service center will be located. As discussed in a previous document, the key deciding criteria are:

- Susceptibility to weather and natural disasters
- Quality of life
- Telecommunication infrastructure and costs
- Availability of suitable commercial space
- Availability of people with the skills and interest needed to staff a call center
- Other organizations currently in the area competing for the same available labor pool

We have taken a close look at all the communities currently served by American Water Works as potential sites. Based on that review, the top six potential locations are: Alton, IL; Butler, PA; Indiana, PA; Muncie, IN; New Castle, PA; Wilkes Barre, PA.

We believe that all are very good candidates for the future location of the final site. Over the next several weeks a team from American Water Works will visit these communities to choose a location, evaluate the structure, and meet with community leaders to determine the final selection. We expect the evaluation will be completed and the announcement made in October.

**Associate Options:**

In previous communications we promised to provide details of associate options packages for impacted associates. Those associates who will be directly impacted by this decision have been personally contacted and provided with a packet outlining their various options.

Based on current planning estimates, the first company may be served from the new center as early as the first quarter of 2001. After the initial conversion, it is expected 1-2 companies will be rolled out monthly. Under this time scenario, we expect no jobs to be impacted until March 2001 with the transitioning of companies to the new center completed by the end of 2002. We will share the details of the conversion schedule with you as soon as they are available. At this time, no jobs will be impacted for at least six months and most impacts will not occur until much further into the project.

Impacted associates will be given the opportunity to apply for a job in the new Customer Service Center. We realize no one is in a position to make a decision until the final site location has been determined. However, a relocation package for those impacted is included in the associates' package. As stated earlier, we expect to be in a position to announce the final site in October. The process for associates to apply for positions in the new center will be released at that time.

***Project Timeline:***

Currently, we are in the process of determining a rollout schedule for the new Customer Service Center. In addition to selecting a site, the start-up of the new Customer Service Center is also dependent on the implementation of the Customer Information System (CIS) application. The application team is working to finalize the implementation plan and a conversion schedule will follow. Once the conversion schedule for the Customer Services CIS application is finalized, we will be able to publish the schedule for transitioning each existing call center to the new center.

***Next Steps:***

Thank you for your patience during this time of uncertainty. We understand that this project has the potential to impact a great number of our associates. As we stated earlier, we will be conducting site visits to review facilities and locations for our new center. A final site selection announcement is anticipated in October. The process for associates to apply for positions in the new center will be released at that time.

If you have any questions, please continue to use your Change Agents or send questions to the CustomerServicesNetwork on Lotus Notes.



No. OUCC 13-0240

DATA INFORMATION REQUEST  
Indiana American Water Company  
Cause No. 43187

Information Requested:

For the period 1999 through 2000, please provide a copy of any minutes, memo, email, letter or other document between American Water and any subsidiary or between any subsidiaries of American Water that discusses the Orcom ECIS upgrade or the use of the Alton CSC as a national call center.

Requested By: Daniel M. Le Vay, OUCC --317-232-2494 -- dlevay@oucc.in.gov and infomgt@oucc.in.gov

Information Provided:

The requested information is included as Attachment OUCC13-240-R1.

Prepared By: Tom McKittrick

To: All American Water Works Associates  
From: Ellen Wolf  
Subject: Customer Service Organization Project  
Date: April 28, 2000

I am pleased to announce a major initiative for American Water Works Company that will enable our organization to provide world-class customer service more efficiently and more effectively than ever before. This initiative will allow American Water Works to remain aggressive in a changing marketplace and enable us to react more quickly to market demands.

Dan Kelleher, senior vice president of American Water Works Service Company, and I will be working closely to assure our strategy addresses our customers' needs and expectations today and into the future.

American Water Works will develop a new customer services strategy that will provide consistently high levels of customer service ~~and decreased cost~~ to the customer. Building upon our current customer service system, this project will create one common platform and provide necessary tool sets that will enable us to capitalize on economies of scale.

Specifically, this initiative will evaluate and if supported by the business case, create a ~~single customer services organization~~ to handle the call center, billing, and collection activities that are currently handled independently in the operating organizations. New processes will be designed to link field services and the *customer services organization*. Transition to this organization model is expected to occur over 18 months following the completion of a detailed analysis and planning exercise.

John Bigelow, vice president of business services, will act as the program sponsor for the *customer services organization* project. The project team will be comprised of approximately forty people from American Water Works and Andersen Consulting. Andersen Consulting is a world leader in consulting services in customer relationship management and will be working directly with many American System associates to help design, develop and implement this initiative.

One of our objectives is to identify the things we do well within our current customer service organizations and make sure that those practices are retained. In this regard, each of you can be very helpful by telling us what works and where there is room for improvement. Analysis to determine "best practices" will require visits to the operating companies. During these visits, many of you will recognize some of the team members as associates from your local operations. In order for this project to be successful, we need everyone's support.

We recognize that this is a significant change and new direction for American Water Works. We are committed to informing you of our progress on a regular basis. In fact, a communication will be launched over the next week that will provide additional detail about our projected plans. This information will be presented verbally by local management so that you have an opportunity to provide feedback and ask questions.

We are excited about this new project and ~~very much~~ to actively participate in the success of this initiative.

To: All American Water System Associates  
From: John Bigelow  
Subject: Customer Services Project Update  
Date: July 21, 2000

The purpose of this memorandum is to update you on the status of the Customer Services Assessment Project.

**Project Decision Status:**

The assessment was originally slated to be complete by mid-July with a decision on the continuance of the project being given at that time. Unfortunately, we are still in need of some critical data and cannot complete the assessment and make a reliable evaluation until that data is in place. We understand that this delay causes continued uncertainty among our associates and we assure you that everything is being done to expedite the collection of the missing information. We now anticipate that the assessment will be completed mid-August and an announcement regarding our decision whether to move forward will be made at that time.

**Customer Services Call Center Site Selection:**

There have been many inquiries about the selection of possible site(s) process and related time line should we decide to proceed with the project. A list of potential locations will be available by mid-August and will be communicated at the same time we announce the findings of our assessment. Each service territory throughout the American Water Works system is being evaluated using several criteria including:

- Susceptibility to weather and natural disasters
- Quality of life
- Telecommunication infrastructure and costs
- Availability of suitable commercial space
- Availability of people with the skills and interest needed to staff a call center
- Other organizations currently in the area competing for the same available labor pool

If we decide to proceed with the project, we expect the final site to be announced by the end of September. The process for narrowing the list of potential sites to the final call center site(s) will take these additional criteria into account including:

- Evaluation of local concessions and incentives
- Facilities negotiations

**Communicating with the Project Team:**

Since our last communication we have developed a network of associates, referred to as a Change Network, to supplement our existing communication channels. The Change Network was officially kicked-off with a series of workshops held on June 27<sup>th</sup> and 28<sup>th</sup> and July 13<sup>th</sup> and 14<sup>th</sup> to define the roles and responsibilities of network participants. The associates that have agreed to be a part of this network will serve as a critical information link between you and the Project Team. The network is designed to facilitate information flow from the project team to you and to communicate back to the project team your ideas, comments, concerns and questions. The network participants in your area will help you understand their role.

In addition, an e-mail address has been created in Lotus Notes as another means of communication between the entire organization and the Project Team. Answers to questions received at that e-mail address will be sent to the Change Network representative responsible for the location from which the inquiry was mailed. We will also publish answers to commonly asked questions in a monthly *Question and Answer* document.

The e-mail address for the Project Team is: CustomerServiceNetwork in Lotus Notes

We understand it is important to bring this assessment and decision making process to a conclusion as soon as possible and we will continue to work diligently to that end. Additional communications will be sent as more information becomes available. If you have any questions please contact your Change Network representative, your supervisor, or send the Project Team an e-mail. If Lotus Notes access is not available, you can fax questions to 856-782-3649, attention Rachel Bartley.

To: All American Water System Associates  
From: John Bigelow  
Subject: Customer Services Business Case Findings  
Date: August 24, 2000

This memo is to inform you that, after much consideration, a decision has been made to move forward with the Customer Service Project.

You may remember that in May, we informed all associates that a study would be conducted to assess the current state of Customer Services and to evaluate the potential service improvements and cost savings if Customer Services was consolidated. That study is complete, and shows that the benefits of consolidation far outweigh those of leaving the current decentralized system in place.

**Business Case:**

Analysis confirmed moving to a single customer service center will bring substantial benefits to our customers and shareholders. Improved customer service and economic factors played major roles in the decision to move forward with customer services consolidation.

- The customer service benefits for American are significant. By using advanced technologies now available, we will be able to decrease average handle times for customers, extend our operating hours to 24 hours a day, 7 days a week, provide customers with more self service options, improve call routing accuracy, improve first call resolution, improve customer contact tracking, and improve billing issues resolution.
- The economic benefits from the Business Case are very strong. The study showed that the net benefit, across operating companies, for centralizing customer services will result in significant dollar savings. This savings factors in both the on-going costs (facilities, labor, telecom, overhead costs, office furniture, training, and work stations) and the one time transition cost to establish the new center.

**Site Location:**

The next step will be to select a new site for the Customer Service Center. In our July communication we described the site selection process. Since then, we have been collecting data to decide where the new customer service center will be located. As discussed in a previous document, the key deciding criteria are:

- Susceptibility to weather and natural disasters
- Quality of life
- Telecommunication infrastructure and costs
- Availability of suitable commercial space
- Availability of people with the skills and interest needed to staff a call center.
- Other organizations currently in the area competing for the same available labor pool

We have taken a close look at all the communities currently served by American Water Works as potential sites. Based on that review, the top six potential locations are: Alton, IL; Butler, PA; Indiana, PA; Muncie, IN; New Castle, PA; Wilkes Barre, PA.

We believe that all are very good candidates for the future location of the final site. Over the next several weeks a team from American Water Works will visit these communities to choose a location, evaluate the structure, and meet with community leaders to determine the final selection. We expect the evaluation will be completed and the announcement made in October.

**Associate Options:**

In previous communications we promised to provide details of associate options packages for impacted associates. Those associates who will be directly impacted by this decision have been personally contacted and provided with a packet outlining their various options.

Based on current planning estimates, the first company may be served from the new center as early as the first quarter of 2001. After the initial conversion, it is expected 1-2 companies will be rolled out monthly. Under this time scenario, we expect no jobs to be impacted until March 2001 with the transitioning of companies to the new center completed by the end of 2002. We will share the details of the conversion schedule with you as soon as they are available. At this time, no jobs will be impacted for at least six months and most impacts will not occur until much further into the project.

Impacted associates will be given the opportunity to apply for a job in the new Customer Service Center. We realize no one is in a position to make a decision until the final site location has been determined. However, a relocation package for those impacted is included in the associates' package. As stated earlier, we expect to be in a position to announce the final site in October. The process for associates to apply for positions in the new center will be released at that time.

**Project Timeline:**

Currently, we are in the process of determining a rollout schedule for the new Customer Service Center. In addition to selecting a site, the start-up of the new Customer Service Center is also dependent on the implementation of the Customer Information System (CIS) application. The application team is working to finalize the implementation plan and a conversion schedule will follow. Once the conversion schedule for the Customer Services CIS application is finalized, we will be able to publish the schedule for transitioning each existing call center to the new center.

**Next Steps:**

Thank you for your patience during this time of uncertainty. We understand that this project has the potential to impact a great number of our associates. As we stated earlier, we will be conducting site visits to review facilities and locations for our new center. A final site selection announcement is anticipated in October. The process for associates to apply for positions in the new center will be released at that time.

If you have any questions, please continue to use your Change Agents or send questions to the CustomerServicesNetwork on Lotus Notes.

To: All American Water System Associates  
From: John Bigelow  
Subject: Customer Services Project Update  
Date: September 15, 2000

In our last communication we announced the six sites we will be evaluating further as we move into the second phase of the customer services project. This memo will help to explain, in more detail, the process for narrowing the list to one and determining the final location for American's Customer Service Center.

**Final Site Selection Process:**

The next step in the process is for a team of individuals from American Water Works to visit each of the six communities. During these site visits the team will:

- Meet with community officials and economic development leaders to determine any local incentives that may provide a benefit for locating within a specific community
- Meet with real estate personnel to locate available facilities that meet our requirements

The information gathered during the visits will be reviewed, analyzed, and evaluated. Further research will determine:

- Tax incentives
- Expense and operational cost information for the available locations
- Lease terms and/ or purchase requirements
- Build-out cost and timeframe of the available facility

Other considerations will also be reviewed, but are NOT considered core requirements:

- Proximity of the facility to community services
- Proximity to public transportation

We expect the evaluation to be completed and an announcement made sometime in October.

**Customer Services Project: Phase II:**

Many of you have inquired about the conversion schedule for transitioning each existing call center to the new Customer Services Center. The timeline for rolling each operating company into the new center is being developed during Phase II, the detail-planning phase, of the project. This phase is expected to span over the next three months. We will keep you informed as details become available.

The following issues are being addressed during Phase II of the project and will allow us to finalize the conversion schedule:

- Assessment of current Customer Information Systems (CIS) applications throughout the American system for use in the new Customer Service Center
- Availability of resources to assist in the conversion of current CIS applications to the new CSG
- Local constraints that may influence conversion schedules
- Detailed business procedure design and development
- Design Customer Service Center's organization, roles, skills, and staffing plans
- Design and development of the training curriculum
- Acquire and design facilities
- Design, develop, and procure telecommunications systems
- Define and coordinate purchase of equipment

These issues are receiving top priority and we expect to be able to communicate the preliminary conversion timeline in October with the final site announcement.

**In Scope/Out of Scope:**

Another aspect involved in Phase II of the project is the design and development of detailed business processes for the new Customer Service Center. The PRELIMINARY design distributes job functions in the following categories:

Located at the Center	Remains at the Local Office	Undecided
Customer call handling	Storing or handling field inquiries regarding TAP orders	Service Order closing
Emergency calls	Regulatory disputes (taking call from the regulatory authority)	
Billing	Maintaining Top 25 relationships	
Collections	Existing relationships with contractors & developers, for TAP orders, will be maintained at the local office.	
Time Critical Service Order Communication	Scheduling orders	
Miscellaneous: <ul style="list-style-type: none"> <li><input type="checkbox"/> Set up EFT</li> <li><input type="checkbox"/> Correspondence and returned mail</li> <li><input type="checkbox"/> Support to local office inquiries</li> </ul>		
Maintaining third party customers (i.e. sewer billing)		
TAP order issuance capabilities will be available in the new center for operating companies who currently issue them in their call center operations.		

We understand final decisions are of interest to each of you and we will continue to pass on new details as they develop.

If you have any questions, please contact your change agent and continue to use your CustomerServiceNetwork.

**To:** All American Water System Associates  
**From:** John Bigelow  
**Subject:** Customer Services Project Update  
**Date:** October 12, 2000

This memo is to inform you of the progress the Customer Service Project has made since the last communication and what the team has been focusing on during the last several weeks.

***Final Site Selection Process:***

A team of individuals from American Water Works, CB Ellis, and Andersen Consulting visited the six final site locations and met with community leaders to determine the best location for the American Water Works Customer Service Center. The objective of the visits in each community was as follows:

- Meet with city and county officials to gauge local support for the American Water Works Customer Service Center
- Meet with an HR representative from a similar service oriented business to discuss the local labor market
- Meet with a local staffing agency to get an in-depth understanding of labor availability
- Meet with a local education institutions to evaluate their ability and willingness to assist with training
- Meet with local developers to discuss available properties suitable for the American Water Works Customer Service Center
- Drive by available properties
- Contact the community representatives responsible for submitting Tax and Incentive Proposals

The information obtained from the visits is being accumulated and evaluated based on the following criteria:

- Availability of Labor
- Quality of labor/Underemployment (people employed in jobs below their skill level)
- Future competition for labor
- Call center saturation
- State and Local tax implications
- Availability of a facility
- Availability of incentives

***PROJECT STATUS:***

***Business Architecture Team:***

The team has been developing detailed business procedures and policies for all the work that will be performed in the Customer Service Center. For each process, a flow of activities has been documented. This documentation will be the official record for work performed at the Customer Service Center. It will also serve as training material for the Customer Service Center and, once approved, will be available at all times on a Customer Service Center intranet as on-the-job support.

***Orcom Transition Team:***

The team has started the development phase for transitioning all operating companies to Orcom. The current focus is to develop a detailed design that will be a common approach for system processes in all operating companies. Additional resources will be added to the team to assist with configuration, conversion, reporting, testing, training and implementation, as we get further into development.



***Organizational Design Team:***

The team has been focused on defining the roles, responsibilities, and selection criteria for staffing the new Customer Service Center. Position descriptions have been developed along with the internal application process.

***Training Team:***

Training materials are being developed that will be used to prepare agents to efficiently handle customer inquiries when the Customer Service Center opens. A web-based training program is being developed with the following objectives:

- Ensure associates are able to perform their responsibilities according to predetermined AWW service and performance goals
- Provide an environment where associates can learn about their role and responsibilities through instruction, simulation, and application

***Organization Change Team:***

A Change Readiness Survey was sent to all Customer Service personnel and was conducted from September 18-25, 2000. The purpose of the survey was to:

- Survey the effectiveness of the Change Network to date
- Identify areas for the Project Team to improve communication and to increase awareness for the changes American is making within Customer Service
- Establish a baseline measurement for future surveys

The results of the survey indicate an overall positive level of satisfaction for the Change Network. The average response was 3.59 out of a possible 5-point scale. 51.4% of all Customer Services Associates responded to the survey. The team is now using the results to evaluate areas that can be improved to better meet the needs of our associates.

**PLEASE PRINT AND POST THE BELOW INFORMATION FOR THOSE WHO DO NOT HAVE E-MAIL.**

**Date:** November 2, 2000

**To:** All American Water System Associates

**Re:** Financial Services/Customer Services Projects - Status Update.  
Information Systems Reorganization Announcement

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Approximately six months ago, we announced key strategic projects for both financial services and customer services. The goals of these projects are to:

- Improve customer service.
- Respond to increasing competitive pressures in our industry and contribute to the long-term survival of our company.
- Increase the value of our stock, which a majority of our associates own directly or through their 401K.

Since then, you have received periodic updates regarding these initiatives. Both projects recently reached significant milestones and I would like to take a moment to share the status with you. I'll cover the highlights...for more detailed information on a particular project, please refer to the respective sections that follow.

Our system-wide review of Financial Services has revealed the following:

- There are numerous processes that, if redesigned, could be handled much more efficiently and effectively (see Financial Services Project Status below).
- Some processes will remain at the operating companies while others will be consolidated at a common site in proximity to Voorhees.
- An overall action plan is expected before the end of the year, but actual process changes will not be implemented until mid-2001.

We have completed our in-depth review of the six potential Customer Service Center locations, resulting in the following decision:

- The consolidated Customer Service Center will be located in Alton, Illinois.
- Existing Customer Service locations will begin transitioning to the new center during the second quarter of 2001. The consolidation is expected to be complete by the end of 2002 (see customer Service Project Status below).

Finally, these changes have required us to reorganize our Information Systems structure to support Financial Services and Customer Services in the future. Reorganization will begin immediately.

- All Customer Service data processing and bill print operations will be consolidated in Hershey, Pennsylvania. Implementation will occur over the next 24 months.
- All Financial Services data processing operations (including those currently located in Voorhees) will be consolidated in Haddon Heights, New Jersey. Implementation will occur over the next 18 months.

- Necessary personnel changes have been made to ensure the success of these initiatives (see Information Systems Support).

We know these decisions will dramatically impact the way we do business in the future. We also understand that they impact the lives and working environment of all of our associates. I assure you we are working hard to do all we can to mitigate that impact. All individuals should feel free to talk with their human resources representatives if they have any questions or concerns about the impact these changes may have on them.

We will continue to keep you posted as each project progresses. If you have any questions, I encourage you to talk with your immediate supervisor or speak to a local Change Agent.

2/6

### FINANCIAL SERVICES PROJECT STATUS

The Financial Services Project Team has been reviewing and analyzing financial service processes system-wide. The Project Team was charged with assessing how we currently perform financial services activities, and evaluating whether the redesign of current processes would improve our overall financial services operations. The team's current findings indicate that our financial systems could be handled more effectively and efficiently by redesigning how these functions are performed.

The redesign of processes will result in the standardization and automation of certain financial activities and the consolidation of many of these activities into one location. Some jobs will be eliminated. We realize that there are a lot of uncertainties at this time and that you are all interested in knowing how the project will impact you. Although we do not yet know how each individual will be affected, we assure you that those impacted will have the opportunity to apply for positions in the consolidated financial service center. Because the processes reach beyond the financial services departments, we cannot yet speculate which associates will be affected and how.

Our current findings indicate that...

- The following processes need to be redesigned:
  - General accounting
  - Inventory management
  - Accounts payable
  - Accounts receivable
  - Planning
  - Rates
  - Fixed asset accounting
  - Job cost accounting
  - Cash management
  - Payroll
  - Tax accounting
  - Purchasing
  - Consolidation accounting
  - Service company accounting.
- Redesigned processes must include the following:
  - Standardized data, processes, and reporting
  - Automated work flows
  - New technology
  - Improved utilization of existing technology
  - Consolidation of certain task work within the processes

While many of the details are still being developed, the following overall project-related decisions have been made:

- Many financial services activities will be consolidated and moved to a common location somewhere in the vicinity of the American Water Works Corporate office in Voorhees, NJ.
- Those activities that are better performed at the operating companies will remain at the operating companies.
- No process changes are expected before mid-year 2001.

- We expect to have the re-designed processes implemented by the end of 2001.
- Non-union associates potentially impacted by this project can receive information on the retention/severance package from your Human Resources department. Effects of this project on union associates will be negotiated.
- Associates affected by the re-design will have the opportunity to apply for positions in the consolidated financial service center.
  - Overall skills required: performance management, accounting or finance backgrounds, and clerical.
  - Positions available in the new center will be posted in the first quarter of 2001.

A financial services plan will be developed to provide an overview of the new processes and identify where specific activities can most efficiently and effectively be performed . . . at the operating company, the corporate office, or a consolidated services center. The plan will be based on input from operating company associates, local and corporate management, and consultants. An overall action plan should be ready for announcement by mid-December. The project team will continue to add detail in the following months.

### CUSTOMER SERVICES PROJECT STATUS

American Water Works has completed the evaluation of the six potential Customer Service Center site locations identified in August. The decision has been made to locate the new Customer Service Center in Alton, Illinois.

Although all of the communities evaluated had strong potential, it was determined that Alton provided the best combination of available talent, telecommunication infrastructure and facilities. In addition, Alton is often recognized for its quality of life.

#### About Alton

*Located just across the river from St. Louis and just south of the confluence of the Illinois, Mississippi and Missouri Rivers, its lakes and rivers offer year round opportunities for recreation and pleasure. Just thirty minutes from downtown St. Louis, there are an abundance of shopping options - from the large nationally known retailers to local shops and antique malls. Homes in the area range from turn of the century mansions in historic districts to new subdivisions, quality condominiums and apartments. Seven school districts serve the region and options for higher education include Lewis and Clark Community College, Southern Illinois University as well as the numerous colleges and universities in the St. Louis area. Alton offers the benefits of small town living, but is near enough to St. Louis to allow its residents to take advantage of the numerous arts and entertainment opportunities of a large city.*

The Customer Service Center is scheduled to open in April, 2001. Subsidiary customer service activities will transition to the new call center as follows:

### CUSTOMER SERVICE CENTER CONVERSION SCHEDULE

- Second quarter, 2001: New Jersey, Long Island, and West Virginia
- Third quarter, 2001: Pennsylvania-American, Arizona, and Saint Louis County
- First quarter, 2002: Illinois and California
- Second quarter, 2002: Indiana
- Last six months, 2002: Kentucky, Tennessee, Virginia, Maryland, Missouri, Connecticut, Massachusetts, New York, Hampton, Salisbury, New Mexico, Hawaii, Iowa, Ohio

### INFORMATION SYSTEMS SUPPORT

As the Customer Services and Financial Services projects proceed, the need for information systems capable of supporting these initiatives becomes imperative. In addition, our system structure must be designed to take advantage of new technologies such as e-Business, Intranets, Electronic Billing, Geographical Information Systems (G.I.S.), and Mobile Computing.

To ensure support of these initiatives, the company will immediately begin consolidation of all data center operations, primarily data processing and billing operations. The full transition will take place over the next 18-24 months, simultaneously with the Customer Services and Financial Service projects.

Each operating company will continue to have its own Information Systems group supporting PC's, Networks, G.I.S., and projects specific to local service areas. The corporate I.S. team will provide technical standards, policy and procedure to the I.S. teams in the operating companies.

The Information Systems (I.S.) team in Voorhees, led by Bill Piszker, Vice President of Information Systems, will begin transitioning data center responsibilities as follows:

All Customer Service data processing and bill print operations will be consolidated in Hershey, Pennsylvania. Implementation will occur over the next 24 months.

All Financial Services data processing operations (including those currently located in Voorhees) will be consolidated in Haddon Heights, New Jersey. Implementation will occur over the next 18 months.

The Hershey and Haddon Heights locations will become the company's Corporate Data Centers. They are also designed to provide emergency backup services for each other in the event of a system outage.

Currently, I.S. departments throughout the system are structured to support decentralized operations, with all customer service and finance data processing being handled locally. To appropriately address the changes necessary for consolidation, the following management re-alignment is effective November 1, 2000:

Dave Jerpe, previously Director of Information Systems at the Pennsylvania-American headquarters in Hershey, will become Corporate Director, Production. Dave will continue to manage the Hershey data center, but will now assume responsibility for the data processing needs of the entire company ensuring ample system capacity, system backups, coverage 24 hours a day/7days a week, and contingency planning. He will continue to work at the Hershey location.

Bill Cox, previously the Director of Information Systems in Haddon Heights, will become Corporate Director, Information Technology. Bill will continue to manage the Haddon Heights data center, but will also be responsible for supporting J.D. Edwards operation and providing technical direction, standards, and policy for Lotus Notes, Networks, Servers, and PC technologies. Bill will work closely with Dave Jerpe to align data center initiatives. He will continue to work at the Haddon Heights location.

Ken Hartnagel, previously Director of Information Systems in St. Louis, MO, will become Corporate Director, Field Operation Support. This encompasses the coordination of G.I.S. (Geographical Information Systems) and SCADA (System Control and Data Acquisition) projects with interfaces to the ORCOM and J.D. Edwards systems. Because his position requires close working relationships with the operating companies, Ken will continue to work from the St. Louis office.

Rick Penney, previously Manager of Application Software Services for Pennsylvania-American, will become Corporate Director, Data Base Administration & Software Architecture. Rick will be responsible for providing technical direction, standards, and security for data base technologies, as well as developing strategies for data warehousing applications. He will continue to work at the Hershey location.

Rod Smith has recently joined American as Corporate Director, Customer Information Systems. Rod will be the project manager for the Customer Service project, and will provide technical direction for CIS technologies. Initially, he will report to John Bigelow as the project manager for the customer service project supporting I.S. issues and be an American Water Works liaison to Anderson Consulting. He will work at the Voorhees location.

Programming support for J.D. Edwards will be supported by the Voorhees' team and will be closely aligned with the Financial Services project team.

The consolidation of I.S. services will not only complement the structure of our future Customer Service and Financial processes, it is also expected to result in significant cost savings. The company's implementation of a wide area network, connecting all operations throughout the American Water System, and recent advances in AS400 technology will facilitate the consolidation effort.



To: American Water System Associates  
From: John Bigelow  
Subject: Customer Services Project Update  
Date: December 14, 2000

The Customer Services Project continues to move forward with the design and into the implementation phase of the project. This communication will summarize the current activities of the team.

**FACILITIES/INFRASTRUCTURE TEAM:**

Negotiations are in process on a building to house the Customer Service Center in Alton, Illinois. The potential site is located just east of the Clark Bridge, and benefits from easy access to the goods and services available in the adjacent central business district of downtown Alton. The facility, known as Alton Center I, offers a highly visible location and a high tech image that will appeal to both the associates of American Water Works and to our customers. Improvements to the facility will be completed within the next ninety days.

**TRAINING TEAM:**

The Training Team is completing the technology driven training materials in preparation for interactive training classes to begin in February. A pilot program for supervisors and team leads will be held during the month of January. It will be conducted by Project Team members and assisted by newly hired Training and Education Development Specialists.

**ORGANIZATIONAL DESIGN:**

Recruiting for the Customer Service Center is in full swing. We are reviewing Candidate Interest Forms/Resumes from internal and external candidates. The following steps are included in the recruitment process:

- A letter has been mailed to confirm receipt of a Candidate Interest Form or Resume
- Telephone screening of applicants has begun
- Interviews will be conducted for internal and external candidates beginning the week of December 11<sup>th</sup>.

Offers will be extended to fill the immediate job opportunities at the Customer Service Center for the following positions by the end of January. These positions are essential for preparation in making the center operational by April 2001.

- |   |   |
|---|---|
| • Director                              | • Technology Manager  |
| • Call Handling Manager                 | • Organizational Development & Initiatives Manager                  |
| • Billing and Collections Manager       | • Education & Development Manager                                   |
| • Call Handling Supervisor              | • Education & Development Specialist (5)                            |
| • Billing and Collections Supervisor    | • Recruitment & Compliance Specialist                               |
| • Call Handling Team Lead (3)           | • Retention & Initiatives Specialist                                |
| • Billing and Collections Team Lead (3) | • Organizational Development & Initiatives Administrative Assistant |

**ORCOM TRANSITION TEAM:**

The Orcom Transition Team has enlarged to approximately twenty-five members and is now located at the Marlon office. Additional resources were needed to advance the transition efforts and prepare for the New Jersey and Long Island conversions scheduled for the second quarter of 2001.

**BUSINESS ARCHITECTURE TEAM:**

The new business processes for Customer Services are being reviewed and finalized by Project Team members. This internal review will be completed by the end of the year. Associates from around the System will also perform an external review of these processes before they are implemented. A plan has been developed to assure a seamless transition of each operating company into the Customer Service Center.

**TRANSITION PLANNING TEAM:**

Design and development is taking place to coordinate the transition of each Operating Company into the Customer Service Center. Four groups will be working closely with Operating Company personnel:

- Orcom Implementation
- Process/Business Interactions
- Logistics
- Communication

The Transition Planning effort has three main objectives:

- To identify, track, and communicate all milestones that will be necessary in transitioning an Operating Company into the Customer Service Center.
- To identify, document, and facilitate the resolution of key issues that could hinder each Operating Company's ability to transition to the Customer Service Center.
- To address and alleviate concerns that each company may have regarding the successful transition to a consolidated Customer Service Center.

To date, the Change Network has provided a valuable support to the associates by communicating with the organization and Project Team. Change Agents will also be instrumental in facilitating the transition phase of each local company.

Efforts from the network will become more focused on each operating company as they move to the top of the transition "batting order." Increased communication to the Operating Company during their implementation will begin at least 120 days prior to the conversion date. Visits will be scheduled for each site to help the team gain an understanding of unique issues for each company.

Regular updates on the status of each conversion will continue to be communicated to the organization. Continue to send questions to the CustomerServiceNetwork mailbox if you have any concerns.

~~No. OUGC 02-0157~~

DATA INFORMATION REQUEST  
Indiana American Water Company  
Cause No. 43187

Information Requested:

What are the ~~industry standards~~ for Service Level, Call handle Time, and Abandonment Rate for call centers (refer to lines 19-21, page 24 of the Van den Berg testimony)?

Requested By: Daniel M. Le Vay, OUCC – 317-232-2494 – dlevay@oucc.in.gov

Information Provided:

~~Attached are tables of industry benchmark data collected from various sources.~~



# CSC Benchmarks

		Financial		Performance				
Benchmarking Metrics		Cost per Call	Labor breakdown of call center cudget	Service Level	Abandonment Rate	Average Handle Time (AHT)	Average Speed of Answer (ASA)	First Call Resolution
Definitions of Benchmarking Metrics		AW - Total call center costs excluding billing and collections functions	Percentage labor makes up of call center budget	The percentage of incoming calls that are answered within a specified threshold: "X% of calls answered in Y seconds."	The average percentage of calls that are dropped while the callers wait in queue. The number is expressed as a percentage of total calls offered	The sum of Average Talk Time (which includes Average Hold Time) and Average After-Call work per call	The Avg time a customer waits in queue before connecting to a CSR	The percentage of calls handled with only one contact
CCC	Averages for all Utility Companies	\$4.10	NA	NA	6.58%	269 sec.	NA	74.38%
eLoyalty	(Industry Best)	\$9.00	60.2% Labor	(80% in 10 sec.)	3.5% (3.9%)	425 sec. (389 sec.)	40 sec. (19 sec.)	75%
Purdue Univ.	Utility Industry Average (Best)	\$7.30 (\$2.69)	70.4% Labor	(80% in 26 sec)	5.28% (3.21%)	317 sec. (266 sec.)	35 sec. (29 sec.)	72.3% (81.3%)
American Water	2005 Results Projected 2006 compares AW to industry benchmarks	\$6.49 (2005 Actual) \$7.23 (2006 Budget)	56.3% Labor ('05A) 67.6% Labor ('06B)	72.5% in 30 sec. (Q4 - 82% in 30 sec.)	3.22%	560 sec. 336 sec.	40 sec. (Q4 - 28 sec.)	74%
Comparison								

~~NO: OUCCE-02-0061~~

DATA INFORMATION REQUEST  
Indiana American Water Company  
Cause No. 43187

Information Requested:

Regarding ~~Exhibit A-IV-10~~ as data is available provide 2006 year-ending data for Customers, Number of Calls, and Calls per Customer to correlate with data in the three graphs.

Requested By: Daniel M. Le Vay, OUCC – 317-232-2494 – dlevay@oucc.in.gov

~~Information Provided:~~

~~The 2006 customer count, as of 12/31/2006 was 281,125. The number of calls for the year was recorded at 635,889.~~

~~This results in 2.26 calls per customer for the year.~~

However, these numbers are used only to show a trend in calls, customer numbers and calls per customer. Data stated within the testimony on cost/call numbers are based on accurate data from the test year, June '05 through July '06.

No. OUCC 10-0201

**DATA INFORMATION REQUEST**  
**Indiana American Water Company**  
**Cause No. 43187**

**Information Requested:**

Please state the date when each subsidiary of AWW first went "live" with ECIS. For each, state the location of the subsidiary's customer service centers when it went live with E-CIS. Please describe the documents or data relied on to determine the dates provided.

Requested By: Daniel M. Le Vay, OUCC --317-232-2494 -- dlevay@oucc.in.gov and infomgt@oucc.in.gov

**Information Provided:**

**Customer Service Center records and knowledge of associates was relied on for the following information.**

<b>Subsidiary</b>	<b>Date of Conversion</b>	<b>Location of Prior Call Center</b>
NJ, LI	8/02/1999	Haddon Heights, NJ
WV	12/01/1998	Charleston, WV
PA	8/01/1998	McMurray, PA, Wilkes Barre, PA Mechanicsburg, PA
St. Louis County, MO	12/1/01	Alton, Ill
Citizens Utilities NM	1/15/02	Alton, Ill
Citizens Utilities CA	1/15/02	Alton, Ill
Citizens Utilities PA	1/15/02	Alton, Ill
Citizens Utilities OH	1/15/02	Alton, Ill
NM	2/1/02	Alton, Ill
CA	4/1/02	Alton, Ill
HI	4/1/02	Alton, Ill
AZ	4/1/02	Alton, Ill
IL	9/3/02	Alton, Ill
Citizens IL	9/3/02	Alton, Ill
OH	3/1/03	Alton, Ill
IA	3/1/03	Alton, Ill
MD	3/1/03	Alton, Ill
MO	5/1/03	Alton, Ill
VA	5/1/03	Alton, Ill
TN	7/21/03	Alton, Ill
KY	10/20/03	Alton, Ill
IN	3/8/04	Richmond, IN

Prepared By: Karen Cooper

No. OUCC 10-0202

**DATA INFORMATION REQUEST**  
**Indiana American Water Company**  
**Cause No. 43187**

**Information Requested:**

For each participant of the Alton CSC, state the date the participation began and the dates that the participants began and completed the phase out of its prior customer service center.

Requested By: Daniel M. Le Vay, OUCC --317-232-2494 -- dlevay@oucc.in.gov and infomgt@oucc.in.gov

**Information Provided:**

Customer Service Center records and knowledge of associates was relied on for the following information.

<b>Subsidiary</b>	<b>Date of Conversion</b>	<b>Location of Prior Call Center</b>
NJ, LI	4/21/01	Mt. Laurel, NJ
WV	5/29/01	Charleston, WV
PA	8/13/01	McMurray, PA, Wilkes Barre, PA Mechanicsburg, PA
St. Louis County, MO	12/1/01	St. Louis, MO
Citizens Utilities NM districts	1/15/02	Citizens answered calls in individual
Citizens Utilities CA	1/15/02	
Citizens Utilities PA	1/15/02	
Citizens Utilities OH	1/15/02	
NM	2/1/02	Clovis, NM
CA	4/1/02	Chula Vista, CA
HI	4/1/02	Hawaii Kai, HI
AZ	4/1/02	Paradise Valley, AZ
IL	9/3/02	Belleville, IL
Citizens IL	9/3/02	
OH	3/1/03	Marion, OH
IA	3/1/03	Davenport, IA
MD	3/1/03	Bel Aire, MD
MO	5/1/03	St. Joseph, MO
VA	5/1/03	Alexandria, VA
TN	7/21/03	Chattanooga, TN
KY	10/20/03	Lexington, KY Tri Village, KY
IN	3/8/04	Richmond, IN

Prepared By: Karen Cooper

In all cases except Indiana, New Jersey, West Virginia and Pennsylvania, the conversion took place and all call center operations ceased at the former locations at the same time of going live with E-CIS. Please see the response to Request 12-201 for the dates other participants went live with E-CIS. In the case of Indiana, the participation in the consolidated center began on March 8, 2004 and was phased in over a period of time from March 8 through May 30, 2004. ORCOM E-CIS went live on March 8, 2004. The Richmond, IN call center ceased taking customer calls on May 30, 2004. Between those dates, the ORCOM E-CIS customer service platform was used for all customer service, and during this time calls were answered in both Alton and Richmond.



11-208

DATA INFORMATION REQUEST  
Indiana American Water Company  
Cause No. 43187

Information Requested:

By year incurred, please break down the 4.9 million "Other" cost that was incurred.

Requested By: Daniel M. Le Vay, OUCC ~317-232-2494 -- dlevay@oucc.in.gov and infomgt@oucc.in.gov

Information Provided:

AWW = 3,677.1

The following chart outlines the testimony cost allocations by cost category and year.

Total EGIS Project Expenses (9005)										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
AWW	368.4	1,473.7	1,473.7	1,473.7	2,322.4	2,921.0	2,590.9	1,181.1	67.3	13,872.2
ORCOM Services	9.3	1,501.5	3,639.7	1,532.2	937.8	1,675.3	1,781.7	2,156.3	97.0	13,330.8
ORCOM Software	261.0	1,043.8	626.9	430.5	-	-	2,000.0	-	-	4,362.2
Professional Fees	-	-	-	-	2,977.6	13,455.2	11,350.2	2,525.5	877.8	31,186.3
Other	172.2	688.8	688.8	688.8	679.3	932.7	611.0	393.7	.1	4,855.4
Total	810.9	4,707.8	6,429.1	4,125.2	6,917.1	18,984.2	18,333.8	6,256.6	1,042.2	67,606.9
AFUDC	73.6	429.2	583.4	374.3	622.7	1,722.7	1,663.6	567.7	94.6	6,134.8
Total Inc. AFUDC	884.5	5,137.0	7,012.5	4,499.5	7,540.8	20,706.9	19,997.4	6,824.3	1,136.8	73,741.7

Prepared By: Joseph Van den Berg

